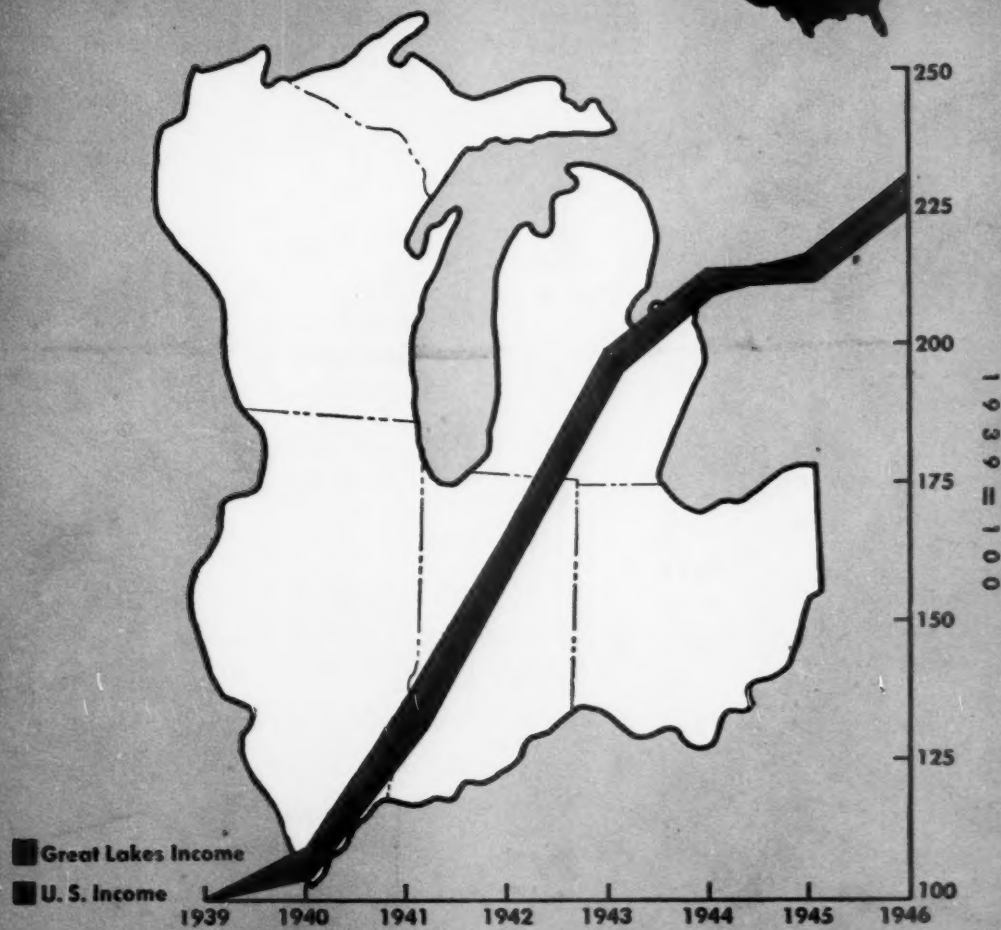


BUSINESS WEEK

MAY 31, 1947

THE GREAT LAKES MARKET ▶



No. 2 in a series of Reports to Executives on "The New American Market" (pages 9-11)

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LS bodies in General Baking Co. fleet built by Diehl & Sons, Inc., Richmond Hill, New York.



LS bodies in Christie's Bread, Ltd., fleet built by Wilson Motor Bodies, Ltd.

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WASHINGTON OUTLOOK

SERVICE

JUNE IS DEADLINE MONTH for Congress—on eight major issues that affect business.

Not all eight can be decided in the next four weeks. Congress is too far behind in its work.

But most of them should be far enough along June 30 to give you a good idea of what will be effects of this session on your business.

Heading the June worksheet, of course, is the war bill. The other items:

Income tax cut.

Federal budget for fiscal '48.

Export-import controls, and priorities.

Rent control.

RFC extension.

Government authority to operate ships, allocate freight cars.

Subsidy for high-cost copper, lead, and zinc.

Here's where the deadline issues stand at the start of June—

Labor: Conference version patterned closely along lines of Senate bill ready for Senate and House approval in a week or 10 days.

Truman veto still likely; whether it will become law over a veto hinges on how a handful of Senate Democrats vote (BW—May24'47,p82).

Income tax: The G.O.P. 10%-20%-30% cut—to start July 1—almost ready for Truman's desk.

Truman still hasn't made up his mind to sign a veto, but there's a good chance he'll sign. If he doesn't, your tax cut vanishes; the Senate will sustain a veto, if the House doesn't.

Budget: Congress is far behind schedule on this one; only half the money bills are through the House; the Senate has passed only one.

G.O.P. leaders concede they won't live up to their promised \$5 billion-\$6 billion cut in Truman's \$38-billion budget. Cut may total \$3 billion to \$4 billion.

Export-import, priorities: Neither house has started action; G.O.P. is in no hurry to extend these over war controls.

Truman wants a year's extension of export controls, and of import controls and allocation powers on specified scarce commodities such as tin, rubber and oils, manila hemp, quinine.

He also seeks priority on export orders to firm

up foreign aid programs or foreign production for American purchase. G.O.P. is particularly sour toward this.

Rents: House has passed extension of controls through '47, tied to virtual scrapping of Patman veterans housing law; extension legislation has been blocked on Senate calendar since Apr. 3.

Democrats charge the G.O.P. is waiting until the June 30 deadline eve to present Truman with the choice of a "bad bill" or no control at all.

RFC: Senate and House Banking committees are each drawing up legislation to keep RFC alive beyond June 30—but with strings tied to its future lending operations.

Ships and freight cars: Neither House has started action, although there have been committee hearings.

G.O.P. leaders aren't yet impressed with Administration claims that: (1) Rail allocation is the backbone of the foreign grain program; and (2) withdrawal of government-operated tankers hauling a million bbl. of oil daily would upset world supply, create East Coast shortage.

Copper-lead-zinc: Western mining bloc is pushing five-year, \$80-million annual continuation of wartime premium price plan.

It's waiting its turn on House debate schedule. Senate hasn't acted.

STEEL "GRAY" MARKET INQUIRY is not going to wind up with a Washington-imposed cure-all.

The Senate Small Business Subcommittee's hearings are simply an airing of abuses that can crop up in a free market when supply is far short of demand.

Chairman Edward Martin's idea is that the inquiry's function is to point up to business that obligations go with freedom from government regulation.

His solution: Industry should find ways to police itself once the problem is laid bare.

THE COAL STRIKE DEADLINE has been pushed back a week—to July 7.

Government's action giving the miners their annual vacation beginning June 28 has this effect.

It means you can firm up plans based on no major interruption in coal production this year.

WASHINGTON OUTLOOK (Continued)

Because it brightens prospects that Lewis and most operators can come to terms in time.

Government people who have been watching the first rounds of contract talks look for negotiations to drag along to the deadline—as usual.

But they expect a contract to be worked out.

DON'T BE UPSET by drastic patent proposals in the Justice Dept. report you'll be reading about sometime next month.

Truman has okayed release of the report. But he's not interested in giving it further support.

The study has been three years in the writing. It covers handling of patents on government-financed wartime research.

Basic finding: From now on, government should take patents on such work, pick licensees who'll buck monopoly.

Army and Navy objections bottled up the report in the White House for six months—and will prevent any action based on it. Military services want to continue letting their contractors retain patent rights.

C. I. O.'S POLITICAL ACTION COMMITTEE is working hard to develop effective local machines in city campaigns this year.

It's their foundation stone for undertaking to build a strong national organization for the '48 presidential elections.

The \$1-a-man drive—which flopped badly last year—has been revived at the municipal level. Also, P.A.C.'s executive board has been enlarged—to add Murray, Reuther, three other C.I.O. union presidents.

So far, P.A.C. claims victories in four cities this year—Hoboken and Passaic, N. J.; Minneapolis; and Oakland, Calif.

ONE RESULT of talk about underground plants: Everyone who digs a hole in the ground is beginning to think he has a multipurpose project chargeable to national defense.

For example, Bureau of Mines points significantly to the fact that its oil shale experiments at Rifle, Colo., include a convenient chamber 300 ft. underground. Also, an oil-soaked waterproof roof.

WHICH U. S. CHAMBER OF COMMERCE release do you read?

Last week, C. of C. denounced prophets of re-

cession as "seeking to steer public opinion toward deficit spending."

This month's news letter of the chamber distribution department reported its estimate that (1) Output of manufacturers is at annual rate \$180 billion; but (2) current income levels will absorb manufacturing output of only \$155 billion.

ELECTRIC UTILITIES are moving in on government-financed power co-ops—buying up the energy sources.

Last month, southwestern utilities acquired the war-built Ark-La transmission line.

Now, Empire District Electric Co. bids for lines and generating plant of a Missouri co-op. Next, Texas companies will offer to buy Brazos River transmission co-op facilities.

Due to lack of operating know-how, many co-ops generating power are in tough financial shape. And REA's public-power wing dares not sink new funds into such operations with an economy-minded Congress watching.

PINK SLIPS were handed to an estimated 100,000 federal employees this week.

Additional thousands got notice of impending demotions, effective July 1.

Government workers must be given 30-day dismissal notice. So, this week was deadline for agencies to cut down forces to meet prospective G.O.P. cuts in Truman's budget.

Not all the dismissals will "take," however. Some of the let-out bureaucrats will catch on with other agencies. Senate restorations of House cuts in funds will permit recall of others.

- Richard R. Deupree, president of Procter and Gamble, is retiring soon as chairman of the Army Navy Munitions Board. Likely successor: T. Hargrave, president of Eastman Kodak. . . .

- Democratic senators believe they've found the issue they've been looking for to justify a special session of Congress in the fall—the \$5-10-billion foreign aid program now being put together by Secretary Marshall's staff. . . .

- AAF and the aircraft industry have written down from 5,000 to 3,000 military planes a year as the claim for the minimum required to keep the U.S. safe and the industry solvent. They still have to sell even the lower figure to Congress. . . .

- Applications by veterans for government-guaranteed home loans jumped in April.



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SERVING INDUSTRY... WHICH SERVES MANKIND

THE COVER

Throughout World War II and the months that followed, the Great Lakes states have been making new economic history.

Here is a region that comprises over a fifth of U. S. population, income, and sales. It has had the distinction for decades of being the center of the nation's population. Its primary business distinction, though, lies in the size of its heavy-goods industry. Two-fifths of all U. S. durable goods are produced in this territory.

• **Steel Concentration**—Rimmed about the big inland lakes are America's greatest aggregations of makers and users of steel. For in the Great Lakes region is located 45% of America's steel ingot capacity. And 50.5% of the country's steel production is consumed by the manufacturing plants of the area.

The cover chart shows how closely matched were the incomes of the Great Lakes states and the entire nation from 1939 to 1946. Sales likewise were moving in parallel grooves. But the similarities end there.

On most counts, the five-state area is anything but typical of the country as a whole. And its economic activity in recent times has been contrary even to its own pattern for prior years.

• **How and Why**—How the Great Lakes trend ran and why it ran that way is therefore a pertinent and somewhat perplexing topic. It is fully discussed in the second of a series of regional marketing studies (Report to Executives: "The New American Market," page 41).

This report series is designed to give an up-to-date market analysis, fully fortified with Business Week's own statistics, of the whole nation. The 48 states have been divided into seven groups or regions. Each one is being surveyed separately; the results are being printed once a month.

When all the regional reports are published, Business Week will fit the pieces together into a national marketing study. The final report, therefore, will be an assembled jigsaw puzzle of the map of America.

• **Avid Demand**—The seven states of the Far West were analyzed in the first appraisal of the New American Market (BW—Apr. 12'47, p43). Intensity of interest in that report is indicated partially by the total requests for reprints. As this issue of Business Week goes to press, more than 32,000 copies have been ordered. That is the largest volume of orders ever received for reprints of any report published. They're still coming in.

The Pictures—Acme—15, 17-24, 73, 81, 82; Press Assn.—21, 68, 88; Int. News—34; Red Heppner—29; Lincoln Electric Co.—52; Conrad Eiger—63; McGraw-Hill World News—81.

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BUSINESS OUTLOOK

BUSINESS WEEK

MAY 31, 1947

SERVICE

Metals are not all in adequate supply as yet, but there is growing evidence that the squeeze is relaxing. Scrap prices tell the story.

Forecasting isn't the business of the scrap markets, but they often serve that purpose. Demand for scrap falls off whenever users can get fairly adequate supplies of primary metals. Prices, in turn, weaken.

There is more than a little evidence of such a situation now.

Steel mills, generally speaking, are comfortably fixed for scrap. Prices the junkyards are getting seem to have stabilized around \$30 a ton, close to \$10 down from earlier quotations.

An even more striking supply shift has taken place in aluminum. Secondary aluminum prices turned down several weeks ago. Now producers find primary metal in ample supply, at least temporarily (page 17).

Prices of scrap copper this week were soft. This probably means that users have built up more comfortable inventories of the red metal.

Copper markets may have looked a mess right after the import tax came off (BW—May 10 '47, p107). But that was just a taste of things to come.

Foreign copper moves at 24¢ a lb. Kennecott, however, continues to stand pat at 21½¢. Still other companies deliver on open contracts at Engineering & Mining Journal's weighted average prices.

American Brass, Anaconda subsidiary, meanwhile has advanced prices on its products to levels which the trade sees as reflecting 23¢ copper.

And prevailing prices on brass and bronze products have been cut again to a point about equivalent to 19½¢ a lb. for contained copper.

Instability is obvious here. Next major price move should be down.

Use of copper has fallen from the peacetime record levels that marked the turn of the year. But demand still is very large.

Consumption in April, for the third consecutive month, held around the 120,000-ton level. That rate necessitates imports of more than 30,000 tons a month to supplement domestic output of nearly 90,000.

More tinplate will be available for packaging this year than had been expected earlier. That's not because there is more tin or steel; it's because canners of fruits and vegetables will take less.

Packers' and wholesalers' shipments of canned foods for the first quarter of this year were off 20% from last. Packers still had 95,000,000 cases on hand and wholesalers had 98,000,000.

Fears of oversupply are certain to cut this year's pack.

Yet that doesn't mean plenty of tin. Congress will extend allocation authority beyond the June 30 expiration.

Automobile makers would boost production of cars and trucks toward 6,000,000 to 7,000,000 in almost no time if materials could be had.

As things stand, they have no idea when they will be able to make their postwar goals. The industry got up to a rate of 5,500,000 units briefly in March, but that was overdrawing on steel (BW—Mar. 29 '47, p9).

General Motors probably would need over 3½ million tons of steel annually to use all its capacity. It will miss by perhaps 25% in 1947.

Flat steel is the limiting factor on autos now. But if this were more

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
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plentiful, castings probably would run short; if not castings, something else. Meanwhile, the industry's employment of actual production workers has stabilized just under 800,000, very nearly double 1939.

Were layoffs in several consumers' soft-goods lines greater than the normal seasonal pattern from February to March?

There's a kind of problem that will rise more and more to plague statisticians as industry begins to work off its backlog.

Ever since 1940, the press of orders has wiped out seasonal swings.

As one line after another gets back on a replacement basis, however, familiar patterns will come to light again.

Apparently woollens, leather, meat, and tobacco are lines that have caught up with current orders. Their employment is now following a normal seasonal pattern—hiring rate down and layoffs more frequent. This is revealed in the latest check by the Bureau of Labor Statistics.

Figures on orders and shipments confirm the fact that manufacturers are beginning to catch up with their order books (charts, page 19).

This is much more conspicuously true in soft goods than in hard. But even in durables, shipments went a short way ahead of new orders late in 1946, and the gap widened rather sharply in March.

The volume of new orders now becomes a more important indication of what's ahead for any given concern than does business on the books.

The figures on value of manufacturers' shipments point to sharp differences between the volume of business in soft goods and in hard.

The Industry Survey put out by the Dept. of Commerce shows the first quarter of 1947 up 81% for durable goods compared to a year ago. Price markups for this category are computed at 30% in the same interval.

Soft goods score less of a gain in dollar volume—33%. That's still very good, but it's more than washed out in units by a 37% price rise.

Since March, both prices and unit volume have been going down in soft goods. That gives you some idea why hard goods would have to post stupendous gains to prevent an over-all decline in activity.

Silver seems to be in for still more trouble. Australia is the latest to reduce the silver content of its coinage.

Object is to get metal to pay back the 11,000,000 oz. advanced by the United States during the war. Content is cut from 92½% to 50% (substantially less drastic than earlier cuts by England and India).

Then the rumor that India was in the market for 10,000,000 oz. proved baseless. That dropped the New York price 2¢ an oz. on Monday.

Refining, transportation, and storage of petroleum promise to give plenty of headaches over the rest of this year.

The industry leads off with a major achievement. It has produced a record-breaking average of over 5,000,000 bbl. a day for three weeks. Best previous record, even in wartime, was 4,944,000 bbl. a day.

The question now becomes: Can this rate be kept up and, if so, can it all be refined? And, if refined, how will it be hauled and stored.

Industry men began to worry about refining capacity back when daily crude output was 100,000 bbl. lower than now (BW—Apr. 5 '47, p10).

FIGURES OF THE WEEK

THE INDEX (see chart below).

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	95.4	96.1	96.4	43.6	97.3
Production of automobiles and trucks.....	91,241	177,890	102,447	47,945	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$17,907	\$18,422	\$17,758	\$19,128	\$19,433
Electric power output (million kilowatt-hours).....	4,663	4,616	4,668	3,942	3,130
Crude oil (daily average, 1,000 bbls.).....	#	5,008	4,930	4,759	3,842
Bituminous coal (daily average, 1,000 tons).....	2,162	12,193	2,142	1,493	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	85	84	85	71	86
All other carloadings (daily average, 1,000 cars).....	63	63	59	44	52
Money in circulation (Wednesday series, millions).....	\$28,116	\$28,134	\$28,105	\$27,961	\$9,613
Department store sales (change from same week of preceding year).....	+11%	+13%	-6%	+38%	+17%
Business failures (Dun & Bradstreet, number).....	102	88	66	21	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	396.5	399.9	400.2	280.1	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	262.3	262.9	272.9	173.3	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	342.7	339.8	334.8	251.5	146.6
Finished steel composite (Steel, ton).....	\$69.82	\$69.82	\$69.82	\$63.54	\$56.73
Scrap steel composite (Iron Age, ton).....	\$30.42	\$29.50	\$29.92	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	#	22.413¢	21.500¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.69	\$2.64	\$2.69	\$1.87	\$0.99
Sugar (raw, delivered New York, lb.).....	6.19¢	6.19¢	6.19¢	4.20¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	35.89¢	36.00¢	35.47¢	27.73¢	13.94¢
Wool tops (New York, lb.).....	\$1.379	\$1.389	\$1.537	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	19.00¢	120.90¢	25.00¢	22.50¢	22.16¢

FINANCE

10 stocks, price index (Standard & Poor's Corp.).....	112.5	110.7	114.7	150.8	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.19%	3.18%	3.15%	3.03%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.53%	2.53%	2.53%	2.50%	2.77%
All loans renewal rate, N. Y. Stock Exchange (daily average).....	11-11%	11-11%	11-11%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	1%	1-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	39,723	39,403	39,547	38,727	23,876
Total loans and investments, reporting member banks.....	54,893	54,953	55,200	64,160	28,191
Commercial and agricultural loans, reporting member banks.....	10,762	10,859	10,967	7,467	6,296
Securities loans, reporting member banks.....	1,807	1,799	1,582	4,140	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	34,580	34,506	34,865	45,965	14,085
Other securities held, reporting member banks.....	3,466	3,479	3,553	3,383	3,710
Excess reserves, all member banks (Wednesday series).....	770	810	672	700	5,290
Total federal reserve credit outstanding (Wednesday series).....	22,071	22,233	22,230	23,132	2,265

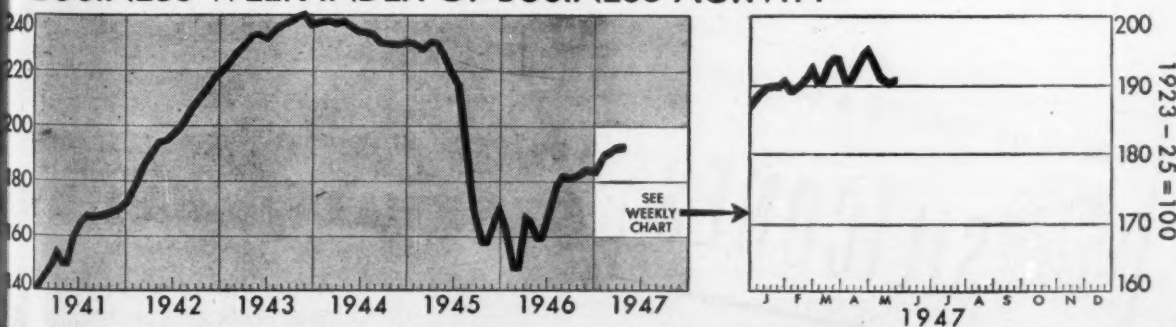
†Revised.

‡Ceiling fixed by government.

#Not available at press time.

§Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



Our new plant
may help doctors get
**UNDER YOUR
SKIN**

Up in Waterford, N. Y., we're rushing to completion a new plant which will turn out those amazing products of organo-silicon chemistry called silicones. And—among other things—General Electric silicones have proved themselves useful to doctors in taking blood samples from patients.

One of the remarkable products of General Electric silicone research is DRI-FILM,* a fascinating water-repellent material. Doctors have found that by treating the inside of a hypodermic syringe (both the needle and the glass reservoir) with a coating of DRI-FILM, the clotting time of blood samples is greatly extended. This is proving valuable in research on blood.

Of course, this isn't the only use for DRI-FILM—far from it. It has big possibilities as a water-repellent material for treating textiles, paper, plastics, ceramics, and many other materials. And don't forget the other products of General Electric silicone chemistry—products like silicone rubber, silicone oil, silicone

*REG. U. S. PAT. OFF.

grease, and silicone resins for making super-resistant paints and finishes.

All of these General Electric silicone products are characterized by a remarkable ability to resist heat and cold. Silicone oil, for example, will flow freely at temperatures as low as -120°F . And it won't ignite at 575°F .

G-E silicone rubber has similar heat and cold-defying properties. Temperatures between -55°F and 520°F won't affect its resiliency. It is being used to

form gaskets on high-powered search lights, on oven doors, and on new high-heat jet engines for aircraft.

There are going to be a lot more uses for silicones. And already, many manufacturers are thinking of ways that they can take advantage of the remarkable heat, cold, and moisture-resistant characteristics of these new and wonderful products in their own businesses. Chemical Department, General Electric Company, Pittsfield, Massachusetts.



YOU'LL BE HEARING A LOT ABOUT



SILICONES

GENERAL ELECTRIC

Please address inquiries about G-E silicones to Resin and Insulation Materials Division, Chemical Department, General Electric Company, Schenectady 5, N. Y.

Small Business—How Strong?

First-quarter earnings indicate some firms still do well, but others just hold their own as competition from big companies bites into sales. Strong asset position may be a saving factor.

Small businessmen have a chip on their shoulders again. They can't be sure yet, but they suspect that they are losing part of the ground they gained during the past five years. Some say they already can feel their big competitors breathing down their necks.

• **The Payoff**—Not that little business hasn't shared in the postwar boom: Nine out of ten small operators are doing fine these days. Like the big companies (BW—May 3'47, p15), they are knocking out the highest earnings in their history.

But in the long-run the payoff question for a small businessman is not how much he earns at any particular time. It is how he stands in relation to his competition—whether he is moving forward or backward. With this in mind, almost every small company now is anxiously matching up its earnings record for 1946 and the first quarter of 1947 with the reports of the big corporations in its field.

• **Figures Lacking**—There isn't enough evidence yet to support any conclusion about how small business is doing collectively. Most little companies publish no statements, confide their earnings figures only to their bankers.

The statements that have been published suggest that while the general picture may be as good for small business as for large, it probably is spottier. A tabulation (page 16) of medium-sized companies (profits under \$300,000 a quarter) shows a wider range of variation than a similar lineup of big-timers (BW—May 3'47, p16).

Trade gossip and field reports bear out about the same thing. Many small operators say they are going ahead faster than ever now that material shortages and labor troubles are clearing up. But there are plenty of others who think they are just holding their own, or possibly even falling behind their competition.

• **Some Gains**—On the West Coast, for instance, one small petroleum company is running up a net profit of \$101,445 in the first quarter this year, against \$14,964 in the same period last year. Another operator in the same line bucked up its net from \$53,808 in the first three months of 1946 to \$193,536 in 1947.

But also on the West Coast, a manufacturer of diesel engines came out with a much smaller gain—from \$55,869 in the first quarter of 1946 to \$71,675 in 1947. Actually, the company's sales rose from \$1,366,866 to \$2,128,410, but increased expenses took a big bite out of the extra profits.

• **Some Losses**—In one upstate New York town, three metalworking plants showed profit increases running from 50% to 100%. But in Ohio, one small appliance manufacturer watched his market dry up as better-known brands came back into production. He wound up the year with a loss.

Another small Ohio firm tells this story: "We made airplane parts on subcontract during the war. We got turned loose right after V-E Day and started making a line of carpet sweepers and light household items. We hit the market with them early and did fine through most of 1946. Then the old-line com-

panies got back in. Now we can't give the damn stuff away."

Reports of this sort provide plenty of ammunition for small business spokesmen, but they are likely to be misleading. The small companies that are ringing up big earnings don't advertise it. They say, "We're doing all right," and leave it at that.

• **Still Over Prewar**—Even if small business is slipping a little, it still is in a much stronger position, incomewise, than before the war.

For the past few years, Federal Reserve Board economists have been keeping tabs on a sample of small firms, obtaining the data from the credit files of banks.

In the group they checked, durable goods manufacturers with assets under \$250,000 earned 12% on net worth in 1940, after taxes. By 1944, their earnings were up to 22% on net worth. The following year, they held the same in spite of the general drop in business incomes at the end of the war. Durable goods producers with assets of \$10 million or more were also making 12% on net worth in 1940. By 1944, they were down to 10%, and in 1945, they had fallen to 8%.

Nondurable manufacturers with less than \$250,000 assets went from 10% on



AIR TRANSPORT LIFT: SILENT FLIGHT

The soft overhead swish that aircraft experts heard last week may have loud repercussions: Cities which have vetoed close-in airports because of the noise may change their tune. For at Langley Field, Va., a "silent" plane—long a research goal (BW—Apr. 12'47, p36)—flew with only a fraction of normal noise. What quieted this Stinson L-5 were: (1) a five-bladed, slow-speed propeller, geared to 1,000 r.p.m. instead of the usual 2,000 r.p.m.; and (2) an engine-exhaust muffler. The experimental equipment, built by the National Advisory Committee for Aeronautics, may impair takeoff and climb. But apparently it won't cut cruising speed.

First-Quarter Earnings of Medium-Size Firms

Here is how the first-quarter net profits of a group of smaller firms (quarterly profits under \$300,000) compare with earnings in the first three months of last year:

	1st Quarter 1947	1st Quarter 1946
ACF-Brill Motors	\$171,384	D\$438,017
Air-Way Elec. Appliance Co.	194,680	20,213
American Hair & Felt Co.	207,983	128,197
American Machine & Metals Co.	191,856	79,088
American Molasses Co.	145,778	166,739
American Seating Co.	49,803	D765,452
American Writing Paper Co.	179,926	24,475
Atlas Imperial Diesel Engine Co.	71,675	55,869
Atlas Tack Corp.	74,199	32,849
Automatic Canteen of America.	213,567	122,795
Belding Heminway Co.	248,413	177,135
Birdsboro Steel Foundry & Machine Co.	126,797	D322,088
Booth Fisheries Corp.	50,393	86,614
Butler, P. H. Co.	134,512	83,254
Byron Jackson Co.	235,968	162,850
Campbell, Wyant & Cannon Foundry Co.	288,046	58,027
Catalin Corp. of America.	145,859	163,870
Central Foundry Co.	205,470	D48,147
Century Ribbon Mills.	96,255	85,014
Chicago Railway Equipment Co.	108,158	D75,976
Consolidated Laundries Corp.	90,612	117,156
Derby Oil Co.	197,473	69,522
Di-Noc Co.	37,000	25,798
Dr. Pepper Co.	208,000	290,000
Eastern Stainless Steel Corp.	D61,690	179,312
Federal Bake Shops, Inc.	194,078	220,942
Gabriel Co.	115,968	51,564
General Precision Equipment Co.	257,143	280,552
Grayson-Robinson Stores.	47,743	182,865
Greenfield Tap & Die Corp.	244,928	167,730
Haloid Co.	82,638	37,530
Hamilton Watch Co.	247,446	8,963
Holland Furnace Co.	D118,598	D70,990
Illinois Zinc Co.	170,584	40,472
Industrial Brownhoist Corp.	148,405	8,990
John R. Thompson Co.	71,484	136,882
Kalamazoo Stove & Furnace Co.	41,260	D28,373
Kingston Products Co.	166,974	54,293
Lily-Tulip Cup Corp.	285,683	171,475
National Fireproofing Corp.	130,126	29,549
National Malleable & Steel Castings Co.	D51,641	D191,000
Nehi Corp.	190,222	222,143
Nestle-Lemur Co.	36,042	52,272
N. Y. & Honduras Rosario Mining Co.	130,022	274,812
Nopco Chemical Co.	236,048	200,487
Pennsylvania Coal & Coke Co.	47,436	97,792
Regal Shoe Co.	10,201	159,950
Root Petroleum Co.	260,421	68,250
Seeman Bros.	138,110	163,476
Silex Co.	157,000	94,000
Standard Forgings Corp.	141,579	965
Steel Products Eng. Co.	D11,476	25,258
Universal Con. Oil.	193,537	53,810
Virginia Iron, Coal & Coke.	13,060	8,840
Webster Tobacco Co.	120,303	97,512

D: deficit.

net worth in 1940 to 28% in 1944, then slipped back to 23% the next year. Firms in the \$10-million-and-over class were making 9% in 1940, 11% in 1944, and 10% in 1945.

• **Comparison**—Another way of getting at the same thing is to compare changes in total corporate income with the gains scored by a representative group of large companies.

In 1939, total corporate earnings after taxes ran around \$4,868,000,000. In 1946, they were in the neighborhood of \$12 billion, or two and a half times the prewar level.

Meanwhile, the income of 629 large corporations, tabulated by the Federal Reserve Board, had risen from \$1,465,000,000 in 1939 to \$2,565,000,000 in 1946. This figures out to an increase of 75%.

• **Advantage in Timing**—During the war and for the first year or so after, small business had the edge over the big-timers on half a dozen points. While big producers were sewed up on low-profit government work, the little men got a whack at ravenous civilian markets—provided, of course, they could get materials. If they had government con-

tracts, they often made out better on renegotiation, which applied only to those companies with more than \$100,000 (later \$500,000) worth of war business.

Small producers also got special benefits under the tax laws. In the postwar wave of strikes, they were not hit so hard as the big companies. OPA, with one eye on Congress, usually dealt with them more gently.

With production and consumption gradually working back to normal, most of these advantages are evaporating. Sooner or later, their loss probably will show in the income statements.

• **Liquid Assets**—But during the time it was riding the wave, small business was piling up assets. It now has a sizable war chest in the form of liquid assets. By some standards, it still is short of working capital (BW—May 24 '47, p. 19), but it is far better off than it ever was at any time before the war. This, too, could make a difference in future income statements.

NEWBURYPORT PLAN

The carnival aspects of the much-publicized Newburyport Plan (BW—May 3 '47, p. 17) are over.

But backers of the Massachusetts community's price-cutting project insist that the plan itself is still going strong. Such was the contention of Norman J. Randell, executive secretary of the sponsoring Northeastern Essex County Development Committee, after a press association story last week said that the Newburyport Plan was dead.

Indignantly, Randell declared that the reporter had dropped into town right after a northeaster had blown down the banners. Moreover, Randell continued, the news man had talked to the wrong people—food and meat merchants who were the least cooperative with the plan.

Supporters of the Newburyport Plan claim that business has settled down to a volume that is 30% to 35% above normal, that 48% of the retailers are maintaining 10% across-the-board price cuts. Most of the others are said to be reducing prices on every item possible.

But the backers' most significant point is that the plan has brought the cooperation of several wholesalers and manufacturers. In some instances, there has enabled Newburyport stores to fix prices permanently at from 10% to 35% below normal. The two biggest department stores are advertising such cuts on 75% of their stock.

One manufacturer who has fallen into the line is the Glendale Knitting Mills of Perry, N. Y. It has sent checks to a large number of its customers that are equivalent to 10% of the payments made on their last bills.

Tire Prices Fade

Western Auto leads break in 12½% slash, then is quickly followed by mass distributors. Big Four still hold back.

The signs were unmistakable last week. Passenger tire prices, wavering for months (BW-Mar.15'47,p68), were on the verge of a real tumble.

Setting the Stage—Western Auto, a mass distributor with 2,000 stores, had set the stage by trimming list price 12½%. Reactions in the field were immediate. Sears, Roebuck & Co., long a leading contender in the passenger tire field, announced a similar action. Montgomery Ward & Co., J. & R. Engel, Inc. (which retails tires and accessories through its subsidiary, J. & R. Tire Supply), and a number of smaller companies soon swung into the price-cutting parade.

The break brought the retail price of popular-sized 6.00 x 16 tire down to \$12.95. This was 20.8% (exclusive of taxes) under the \$16.10 list price for standard brands and tires of most oil companies. The suddenness of the drop ended up speculation of price war reminiscent of those that made merchandising history in the late 1930's.

Western Auto also was the first to introduce three lines of tires. They are: Davis De Luxe, cut from \$14.80 to \$13.95; the Davis Safety Grip at \$13.95; Davis Super-Safety at \$14.95.

No Stampede—The industry's Big Four (United States Rubber Co., Goodrich Tire & Rubber Co., Firestone Tire & Rubber Co., and B. F. Goodrich) added that they were studying the situation. But they indicated that they were not going to let themselves be swept into a price reduction on their standard brands.

Nevertheless, their dealers have been offering larger trade-in allowances for old tires and tubes. (In Providence, dealers have used this particular tactic that it gave business only a slight uptick.)

Other dealers have been using the come-on of a new tube free with the purchase of a new tire. In Buffalo, one reputable dealer advertised: "Come in and buy four tires and we'll sell you the fourth for free."

The Big Four manufacture 75% of all passenger units made in the U. S. They sell to the automotive industry for small equipment at about 40% less than the retail list price. All of the Big Four except Firestone make private labels—a business which accounts for a sizeable chunk of total output. U. S. Rubber makes Western Auto's three grades of tires. Sears' tires, however, are

made by a half dozen non-Big Four companies, including Armstrong Tire & Rubber Co.

• **The Closing Gap**—In Akron, the production center, the mass distributors' price cuts were viewed as further evidence of tire supply catching up with demand. Dealer inventories have been mounting for months; production has been racing ahead at all-time peaks. During the first four months of 1947, manufacturing was at the rate of 81-million passenger tires a year. That is 15 million above last year's record.

Industry spokesmen pointed out that this production capacity is nearly 60% above normal consumption. They feel that curtailment of manufacturing is virtually certain in the last half of 1947. In fact, cutbacks are already under way in some of Akron's huge plants. Lay-offs so far have ranged from 100 to 1,000 workers.

• **No Surprise**—While tire executives were unaware that the retail chains were planning price cuts, they were not unduly surprised when they came along. At least one major tire maker is said to have been eyeing a price cut when Western and Sears came out with their announcement of reductions in their tire prices.

But some of the companies viewed the price slashing as inadvisable at this time. Their reasons: (1) Production costs are rising; and (2) spring and summer are the year's best seasons for the sale of tires.

Nevertheless, as most experts in the industry see it, more market softening—and still further price concessions—are bound to follow, summer season or no.



Aluminum roofing makers find they have a buyers' market on their hands.

Lots of Aluminum

Demand for sheets falls below capacity; producers curtail output. Industry is optimistic over its long-term prospects.

Chalk up aluminum as the first major metal to enter a buyer's market.

For two years primary aluminum producers and rolling mills have been operating at top speed. Pent-up wartime demand, substitution of aluminum for other metals in even tighter supply, gave suppliers all the business they could handle.

• **Shutdowns and Slowdowns**—Now the pipelines are filled up. Current buying is on the basis of current consumption. The result:

Reynolds Metals Co. is "temporarily suspending" production at its Longview (Wash.) aluminum plant, which has a capacity of 60 million lb. of ingot a year. Smallest of Reynolds' ingot plants and the company's highest-cost producer, it will be rebuilt to improve efficiency and productivity. Operations may be resumed in about a year.

Aluminum Co. of America has curtailed production at its Alcoa (Tenn.) rolling mills.

Kaiser Co., the nation's third aluminum producer, found time to slow down a couple of departments in its Trentwood (Wash.) rolling mill for year-end inventory purposes. Full production is scheduled after the Memorial Day holiday.

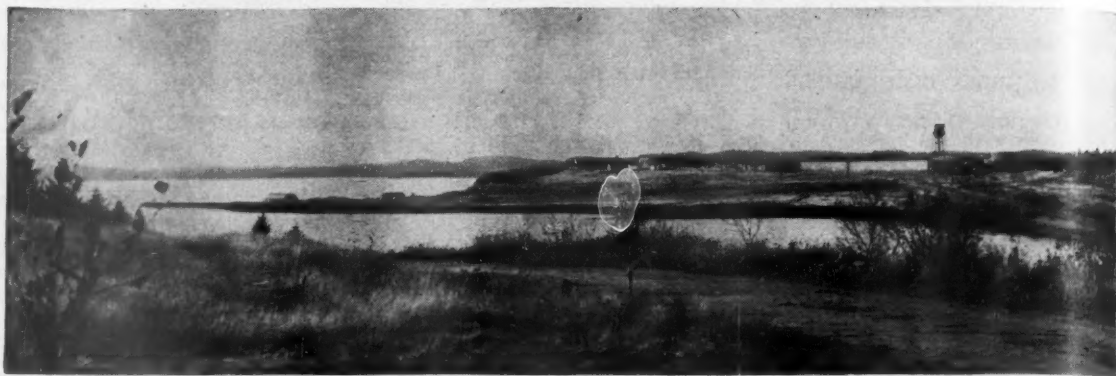
Reynolds also has decided it doesn't want the government-built rod and bar mill near Newark, Ohio. It had signed a letter of intent to lease the plant from WAA. Now it finds its McCook (Ill.) plant can meet the demand. Reynolds also has cut back on rolled products.

Sheet is the one type of aluminum now in easy supply. Output of extrusions is close to meeting demand. Castings are still short.

• **Housing Use Slackens**—Chief cause for the sheet surplus seems to be lessened call for aluminum for housing. Roofing and siding were big demand items. But stocks are pretty well built up now. And with lumber in better supply, many builders have less interest in aluminum.

Most people in the industry expect no weakening in primary aluminum prices, however. And the current drop in demand is coming much later than many had expected. They knew that, after the first flush of postwar demand, there was a limit to the number of aluminum pots and pans housewives would acquire, to the amount of aluminum summer furniture that could be

The Tide Is Running Out at Passamaquoddy



The last functional remnant of Passamaquoddy—perhaps the most controversial public works project of modern times—is going on the block.

• **The Whole Town**—What's up for sale is Quoddy's village (above), the model community built for work crews which were to harness the Bay of Fundy's phenomenal tides.

The power project received the late President Roosevelt's blessing and \$7 million in relief appropriations in 1935. Congress killed it in 1936. After that the village was used by the National Youth Administration. During the war the Seabees had it; then Army Engineers took over. Now the property is in the hands of War Assets Administration to be auctioned soon. However, in Maine's Washington County, Quoddy is strictly a Chamber of Commerce proposition. No purchaser would be more welcome than a strong, non-seasonal industry.

• **Gone, Not Forgotten**—Key salesman is Arthur Unobskey, who owns a department store in nearby Eastport, another in Calais (25 miles north). To him and fellow merchants Quoddy has been a major industry since the late Dexter Cooper, engineer, won presidential support. For it would take myriad cans of the area's sardines or baskets of blue-

berries to match what Quoddy has given in local trading.

Unobskey's efforts have brought provoking nibbles. One shoe firm sent agents. They saw the drill hall, a 600-ft. long structure suitable for a factory. They examined the houses (below) which can serve 300 families, the dormitories with room for 500 individuals.

They contemplated the power plant, the 200-bed hospital, the airport, the snug harbor, then went away. They haven't been heard from since.



• **Fire and Hope**—Meanwhile reverses make Quoddy loom more important than ever in Eastport's economy. Fire recently ravaged a third of the physical plant of that town's sardine industry. And there's talk that Quoddy might fill that breach—temporarily at least.

Quoddy's few remaining firemen fought the blaze, a fact to give Down Easters a talking point. They'll stand no talk of Quoddy being a ghost town. "Who ever heard of a ghost town with a fire department?" they ask.

sold, to the quantity of aluminum roofing sheet that farmers would continue to purchase.

• **Long-Term Optimism**—Now they look for something approaching a stable market—a market that they confidently believe will enjoy a steady, healthy growth over the years.

Supporting this belief, they point to:

- Continuing demand for foundry items.
- The expanded market for aluminum foil as a packaging material.
- The large growth in use of alumi-

num wire as a substitute for copper.

- The increased call for aluminum pigment for paints.
- And, as a clincher, the fact that Alcoa is spending \$30,000,000 on a new rolling mill at Davenport, Iowa. Alcoa hopes to start operations there before the end of the year.

STATE PRICE PROPS

As the buyers' market approaches, state legislation propping up prices is quietly being enacted.

Colorado's Gov. William Lee Knapp has just signed a bill outlawing unfair trade practices in cigarettes (BW—Apr. 26'47, p76). From now on minimum markups on cigarettes of 2% at wholesale, and of 6% at retail, are compulsory in the state.

In Missouri, a fair-trade bill (BW—Apr. 26'47, p72) has made further progress. The House has passed it and sent it on to the Senate. If enacted, the bill would make Missouri the 46th state to permit manufacturers to fix the retail price of their products.

Economists Look Ahead

Experts serving business disagree on details of extent and of price drop, but they concur there'll be no repetition of price and production decline of the 1920-21 recession.

ancient Greeks might have sought answer at Delphi. But modern industrialists, seeking a solution to the of what's ahead for business, turn to a better informed source: the commercial economists.

Consensus—For a clear picture of what this group thinks, Business Week asked the brains of a number of the nation's topflight analysts last week. They covered trade, industry, finance, and, of course, economics. On one broad conclusion, however, all agreed: Business is in a period of orderly readjustment; no sharp decline in prices and production, like that of 1920-21, is in the cards.

Here is how the business economists line up on important questions:

Production: About half looked for an annual decline of no more than 10% from the record high production of recent months. And many lines of particularly durable goods—are not expected to join this downward parade until late 1947 or early 1948. The other half expected something deeper in the way of an over-all reduction in output—perhaps 15% to 20%.

Prices: A significant split developed here. One group—chiefly from finance and heavy industry—saw nothing more than a reduction of 10% to 15% in the wholesale price average. Even this would be concentrated principally in food, and textile items. But another large group, drawn mainly from light and consumer goods firms, had a different idea. These analysts anticipated a drop of 20% to 25% in wholesale prices.

Recovery: Almost all the economists agreed that general business indicators are on the verge of starting downward. Few thought this journey already over. But several from heavy industry doubt that the start will really begin until early 1948.

One critical item opinion was unanimous: Whatever recession might develop, it should be shortlived. The swing in production is expected to work itself out in 12 months. In the rebound will take longer—perhaps 18 months. At any rate, the industry looked for production and employment to swing back upward about 1948.

Experience Shades Opinion—The collective judgment covers numerous shades of opinion. Each shading appeared colored by the experience of the business

in which the analyst is primarily active. On the troublesome question of prices several views came to light:

• **F. D. Newbury**, vice-president and economist of Westinghouse Electric Corp., was acutely aware of the rise in wage and material costs in his industry. Hence he anticipates no general decline in durable goods prices this year.

• **Lionel D. Edie**, head of the economic advisory firm that bears his name, attached more weight to the tremendous expansion in the supply of money since 1939 (about 220%) than did most economists in trade or industry.

Edie stressed the powerful support this greatly enlarged money supply gives to prices. He believes the average of wholesale prices in 1948 is not likely to be more than 10% under the current level, that the postwar "normal" may

well settle down around that point.

• Upholding the opposite end of the price picture was the economist of one of the nation's largest department stores. He foresaw a price decline of as much as 25%, carrying prices back to the levels of OPA days. A reduction on this order cannot be limited to farm products and raw materials alone.

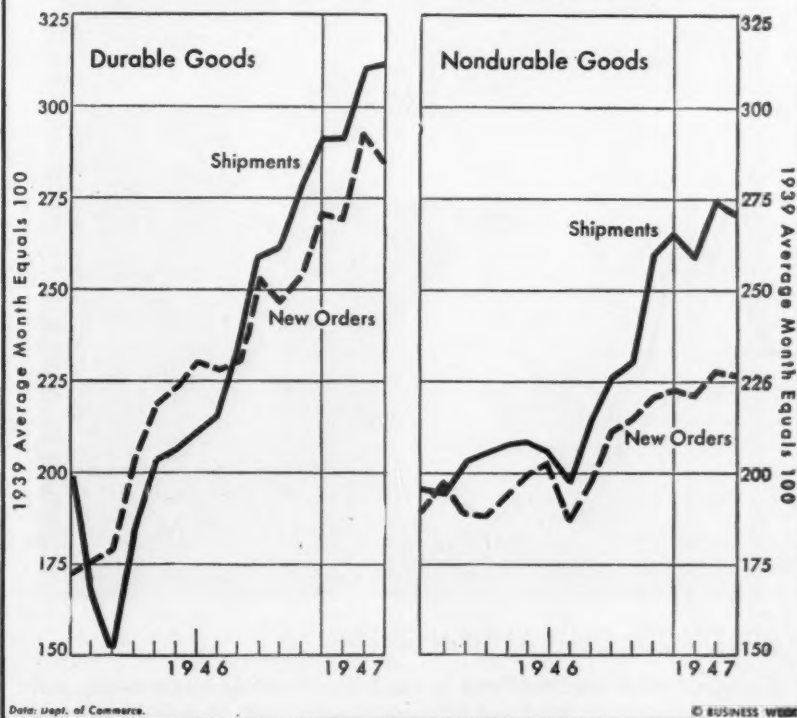
Industrial prices, he confidently expected, would also back down substantially. These include items like heavy equipment, whose prices have advanced much less than the average. He looked for downward price adjustments to continue for many months after industrial production has touched a low and moved higher.

• Several economists believed any severe drop in prices would entail heavy inventory losses and drastic cutbacks in production.

• **Question of Judgment**—All economists were careful to point out that differences within their fraternity involve questions of individual judgment on matters that can't be answered precisely.

One problem—inventories—worries

SHIPMENTS PULL AHEAD OF NEW ORDERS



Manufacturers are beginning to catch up with the "pent-up demand" everyone has been talking about. This can mean one of two things: (1) Distributors now can get quick delivery to replace merchandise as it moves, hence are not plying producers with new orders; or (2) we are overproducing at a rate which spells trouble. The gap between orders and shipments of soft goods might indicate the latter. In hard goods, there is no way of telling until we find out if the March dip points a trend in new orders.

business economists less than it did six months ago. Most of them admit that the inevitable slowdown in business spending for inventory is an important cause of the letdown now appearing in some lines. But nothing like the speculative buying for inventory that followed World War I was present in 1946. As a result no general liquidation of stocks at bankruptcy prices is anticipated.

On one other important question business economists seem fairly well agreed. That question is: What critical spots will make the situation better or worse than now expected? Two broad fields in which no severe decline has been anticipated are construction and business equipment. Investment in these fields has been running at an annual rate of \$25 billion.

But now construction is showing a tendency to weaken. The Dept. of Commerce reports that spending for business equipment is expected to drop slightly in the second half of 1947.

• **If—Business economists** said they have taken these factors into consideration in making their present predictions. But they have remained confident that

this type of spending will continue relatively high. If it doesn't, department stores and soap manufacturers will feel the result along with machinery producers.

Kaiser Wants Cut In Fontana's Debt to RFC

At the moment, Washington observers don't think too highly of Henry Kaiser's chances of getting the cut he has requested in the amount he owes the government on his Fontana (Calif.) steel mill.

Kaiser's plea is based on the contention that he got the raw end of the deal when War Assets Administration sold U. S. Steel Corp. the \$191-million Geneva (Utah) steel plant for \$40 million. He thinks the Reconstruction Finance Corp. ought to give him as good a break on Fontana. Otherwise the latter, with its much higher capitalization, will be at a competitive disadvantage.

• **Two Loans—RFC** originally lent Kaiser \$112 million to build Fontana.

After the war it lent him another million to improve the facilities. It adjusted the debt moderately.

Now Kaiser has asked that the debt be cut to about \$38 million, and he be credited with almost \$18 million he has already paid in principal interest. That would bring his present debt to just over \$20 million.

• **Up to Congress—Some RFC** officials sympathize with the tough competition in which Kaiser was put by the cut-rate sale of the Geneva facility. But without some sign of approval from Congress, they dare not—short of bankruptcy or default—waive what appears to be a collectible loan.

That puts the final decision in the G.O.P.-controlled Capitol Hill. And Republican legislators tend to regard Kaiser as a New Deal favorite who is trying to get back to the public trough.

A hint as to the reception his plea will get was given last week by Styles Bridges. On hearing the plea for a reduction, Bridges termed it "unpalatable gall," said Kaiser's probable net was "to pull him out of the awful hole he has gotten into in connection with his manufacture of automobiles." One day Kaiser said that Bridges had distorted the facts, that Kaiser-Frazer was operating successfully, and that there was no connection between it and Fontana, anyhow.)

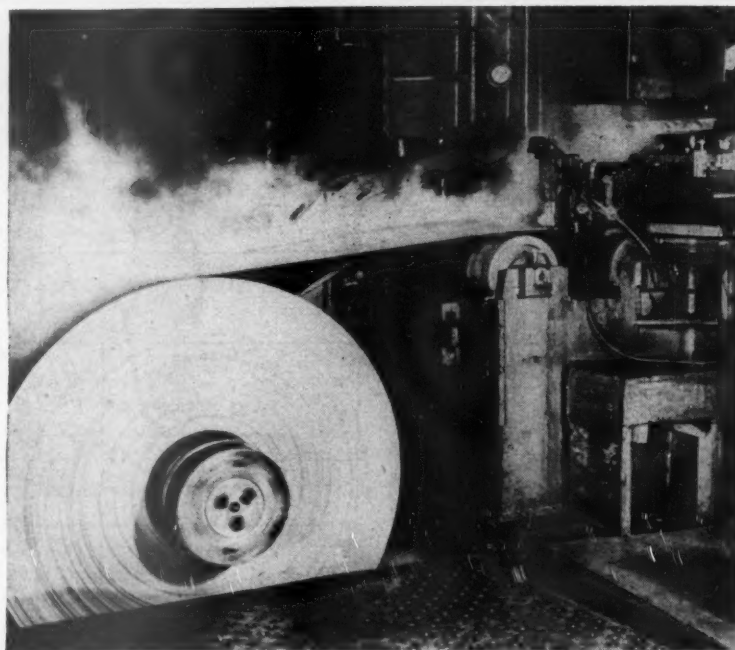
• **Influential Backing—There is** a bright spot in the picture for Kaiser. The Steel Committee of the War Relocation Authority is carrying the balance of his case in Congress. This federation of western chambers of commerce is convinced that the more cheap steel is produced in the West, the better the West's industrial prospects. The group has already proved its mettle by leading the campaign that got Justice Dept. approval of the Geneva deal over the tests of the Antitrust Division.

G.E. LAMPS GOING UP

The retail price of General Electric lamp bulbs is rising between 5% and 6%, on the average, effective June 1.

The company explains that material and labor costs have gone up so far that it can no longer absorb the 5% federal excise tax on lamps—as it has been doing since 1941. And it says that, excluding the tax, prices will still average about 5% less than prewar.

The increase will not be uniform on some lamps for which there is a demand the price-before-tax is being cut. On another group it is being raised; and on some it is not being changed. For instance, the retail price on a 60-watt lamp will not change, but a 100-watt lamp will go up 1¢. Cold-heat lamps will be slightly less, due to mass-production economies; fluorescent lamps will go up by the amount of the



ROLLING ALONG AT NEW SPEEDS

Designed to turn out steel strip at a mile-a-minute clip, a new rolling mill (above) is expected to boost Weirton Steel Corp.'s output of tin mill products by 50%. The mill is located in the Weirton (W. Va.) plant, will produce strip in gages of 0.006 in. to 0.015 in., suitable for tinplate. United Engineering & Foundry Co. built the machine which is claimed to be one-third faster than any similar unit, and about three times as fast as most cold reduction mills. First stand in the five-stand mill has a speed of 650 ft. per min., the last will run at 5,000 ft. per min.

Texas City: Progress on the Uphill Road Back



Texas City has lost no time mending what can be mended. A month after its disastrous explosion and fire (BW-Apr.26'47,p22) activity on its main business street is nearly normal—though some repairs are only temporary.

Going is slower on harder-hit Texas Ave., the old business section on the waterfront, but even here the

report is: progress. Of some 15 stores in the area, about half are open at the old stand.

Clark's department store, the town's biggest, erected a big Quonset hut (above) to pinch-hit for its damaged building. June 15 is (maybe optimistically) the scheduled opening date for the old store.

Buying is in about the usual vol-

ume—even a jewelry shop says business is good. An unlucky supermarket suffered a second disaster—rain, this time, which leaked through its patched roof, forcing a sale of damaged goods.

The Chamber of Commerce adds that the town is crowded with construction workers—on the alert for jobs.

Textile's Ills Hit South

While production generally is still up, resistance against high prices, poor quality means squeeze on manufacturers. Hosiery, pool goods, and yarn hard hit. Only men's shirts go strong.

When New England's woolen mills went into a slump (BW-Mar.22'47, p2), it was not a local or minor illness. The disease spread quickly from one end of textile to another, reached down the eastern seaboard to the South. Now the setup in orders has caused a deep lull in textile production there.

Nervousness—Southern mill men are anxious primarily about the future. Current production is already off in most areas. And growing resistance against high prices and poor quality means that these prices which have stayed up will probably yield. With costs what they are, that can mean serious trouble for manufacturers.

The general feeling was summed up by George A. Sloan, former president of the Cotton-Textile Institute. Speaking before the recent convention of the American Cotton Manufacturers Assn. in Augusta, Ga., he cited "the downward spiral" of the late 20's and early 30's, and asked: "Have we got to accept such disasters as part of the order of nature?"

His answer to the question was a resounding no. The remedy he suggested was much higher efficiency in management and merchandising. This meant, he said, that mill men should give constant attention to the problem of balancing the use of productive capacity

with effective demand from the buyers.

• **The Picture**—Productionwise, there was good reason for pessimism in the South. Here is the picture in most groups of textiles:

Finishing plants. Possibly 15% of the total Carolina capacity is idle. At least one big plant is running at only 75% of capacity, a small plant is hitting 50%. Pressure for price reductions is causing manufacturers to hold a good part of their output in grey goods.

Plush and upholstery. Consumer resistance to low quality—a major factor in the collapse of the cotton-waste market some three months ago—has caused drastic curtailment. It also reflects seriously disturbed conditions in the furniture manufacturing industry.

Wool goods. Because of strong cutter and consumer resistance in apparel for both men and women, soft woolen prices broke several weeks ago. And the situation is steadily worsening. The demand for worsteds (BW-May24'47,p22) continues fair to good, with mills sold ahead and keeping up allotments. But here is a catch: Output of worsteds reportedly can't be increased.

Wool yarns. Only scattered southern mills weave wool yarns. American Woolen Co. is closing down its Louisville plant which makes white knitting yarns. On the other hand, Kendall Mills

plant near Charlotte, N. C., is still turning out its lines of wool and wool-cotton blankets and specialties, at near capacity. Altogether, the immediate situation is comfortable, but mill men are nervous about the future.

Cotton hosiery. The trade and consumers are strongly resisting both current prices and current quality of men's and children's hose. While the market is glutted with low-quality men's anklets, the men insist on high-quality halfhose. Already a high percentage of the South's cotton-hosiery industry is idle; even the big outfits like Hanes and Burlington Mills are hard hit. Worse off, as a result, is the carded yarn division of the cotton industry. It can't sell even its finger carded counts (over 20) to the hosiery industry—and prices are steadily shrinking.

Full-fashioned hosiery. Women have apparently stopped collecting nylons; the supply is ample—and they know it. With summer and its increase in bare legs coming on, wholesalers and jobbers are beginning to fear for the future. The slump is potentially so serious that hosiery union members recently promised to help manufacturers promote business. Their first step: an appeal to women to stop going bare-legged.

The current low prices of nylons (from \$1 up) have a far-reaching effect. For one thing, they upset the women's rayon stocking market. For another, they have reflected back on children's hose—cash-minded women can't see a pair of girl's cotton anklets at 40¢ when a pair of nylons is \$1.

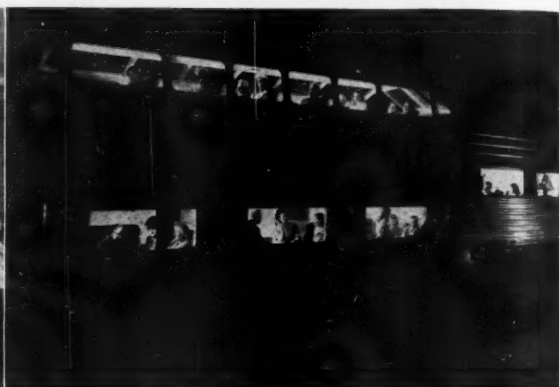
Handkerchiefs. Business at several Charlotte-area plants producing handkerchiefs is at a standstill. Reason: The



TOMORROW'S TRAIN ARRIVES TODAY

General Motors Corp. unveiled its ultramodern "Train of Tomorrow" (BW—Jul.28'45,p55) this week in Chicago. The Windy City was the first stop in a six-month, 30-city tour. A major builder of diesel-electric locomotives, G. M. designed the train to help create a

new rail travel market. Cars were built to G. M. specifications by Pullman-Standard. The four-car train (above) includes a coach (below, right), diner, sleeper, and observation lounge car (left). Each has an Astradome observation deck, four floor levels. Other innovations: separate power systems for each car, electric kitchen, train-to-home phone, new hanger-type springs.



retail price for a prewar 5¢ handkerchief is still marked at 15¢, while the better stores want 25¢ for only fairly good quality goods.

Men's shirts. This is the one really bright spot in the southern textile industry. Prices have been drastically reduced, quality improved—and most plants in the Carolinas are working at near capacity. But low-quality dress shirts and most work shirts are having a hard time. One reason for the latter is competition from sales of surplus military shirts.

• **New England Slips**—Meanwhile, New England's textile decline carried over at an increasing rate into May. Of the several hundred soft goods woolen mills in the area, between 35 and 40 have shut down, and some 6,000 or 7,000 workers have been laid off.

Unemployment is also widespread among cotton finishers and printers. Although this should be the printers' busiest season, workers still on the job have had their hours cut from 46 to 40. Also, where a month ago the cotton and rayon dress goods weaving mills couldn't get

enough female help, they are now laying off what they already had.

All of this was a reflection of the caution in buying all along the line. In New York last week, for example, retailers looked over the fall offerings of women's ready-to-wear. Looking was about all many of them did; initial order placements promised a dress manufacturing drop from 40% to 50% from a year ago. Moreover, there was a demand for early deliveries—meaning that retailers wanted to test the consumer trade before the Labor Day stock-peaking.

• **Optimism**—In the whole situation there were only two optimistic notes. One was that the ultra-conservatism all along the buying line will sweeten the inventory position of dressmakers and stores. The other was that workers now getting less take-home pay will be ready to turn out more and better yards of cloth per wage dollar—which is what the public demands. Mill men believe this to mean that, in the not too distant future, "devil-take-the-hindmost" competition will probably be back at the old stand.

BROKERS LEARN FIRST HAND

Detroit Stock Exchange brokers have a new way of learning talking points for their customers: They make field trips to the companies whose securities they handle.

Under the plan set up by the exchange, periodic visits through company facilities are being arranged for the brokers. Bulletins are sent to the various brokerage offices, specifying the company to be visited. Judging from the turnout on the first tour, through Ualite Corp., Detroit, salesmen are enthusiastic about the program.

Companies seem to like the idea, too. Top executives escort the men through the plant, explain the workings, answer questions. At the tour's end, officials outline what the company is doing now and what it plans for the future.

The exchange reasons that salesmen with first-hand knowledge of a company will be in a better position to advise customers on its securities.

Present plans call for tours every week, or at least once every two weeks.



The Steel Rush of '47

Back in 1849, the cry of "Gold" sent a horde of men racing westward. Yes, there was gold in California—but not enough for all who hungered for it. Latecomers in the rush found themselves with worthless claims. Others found nothing at all.

Today the cry is for steel. After six long years of war, strikes and stoppages, an equipment-hungry nation is creating history's greatest demand for steel products.

Every day by mail, telephone and telegraph—a steady stream of orders pours into each of twelve great Ryerson plants. And, though steel production is now far above the pre-war level, the tremendous demand sometimes depletes our stocks. Often we are unable to ship many items on your order.

But, unlike the gold supply that faded before the eyes of the hapless Forty-niners, the supply of steel is

being constantly replenished. Products out of stock today may be available the next time you check the nearby Ryerson plant.

And here at Ryerson trained personnel and the facilities of a complete Steel-Service system combine in a concentrated effort to deliver your steel requirements promptly. When the steel you need is not immediately available, we gladly assist you in the search for a practical alternate.

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UTILITIES

Peace Feelers From FPC

Private companies wonder if the commission's recent proposals and personnel changes mean that era of federal "utility hating" is over. Chairman Smith's speech considered significant.

For more years than the private power people care to remember, a good strong hate for anything resembling a public utility has been standard Washington policy. Now signs are appearing that one of the staunchest exponents of this policy, the Federal Power Commission, is beginning to waver.

More than one incident which could be construed as a "peace feeler" has occurred in recent months. What interests the utility people is the cumulative effect of these incidents.

• **Finger in the Wind**—First of these moves took place late in 1946. FPC read the election returns, promptly named an independent Republican, Nelson Lee Smith, chairman (BW—Dec.28'46,p5). He replaced the zealous Leland Olds, who was none too popu-

lar with a number of the congressmen.

More recently, the FPC extended a small olive branch to the natural gas industry. This was in the form of an "administrative rule" disclaiming jurisdiction over sales made "at arm's length" by producers and gatherers of natural gas prior to its entry into interstate commerce. The rule also exempted all production and gathering operations that are performed by strictly intrastate companies.

Of course, it is not entirely coincidental that this move is made at a time the oil and gas industries are clamoring for Congress to clip FPC's wings. The want restrictions on the agency written specifically into the Natural Gas Act. They don't want "reforms" promulgated by FPC's own rules—which FPC itself



G.I. TAXI LICENSES ARE LIFTED

Members of Philadelphia's G.I. Taxicab Assn. are still fighting for a place on the streets. When state courts refused the association a franchise (BW—Apr.12'47,p19), defiant G.I.'s operated by offering free rides—and often made up to \$200 a week on "tips." Last week the police stepped in, seized their cab licenses (above) while rueful owners watched. And while the Public Utility Commission instructed the old line Yellow Cab Co. to replenish its supply of cabs as soon as possible, G.I.'s continued to apply for individual franchises.



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116 Northern Pacific Bldg., St. Paul 1, Minn.



would be in a position to revoke at will.

• **New Member**—Early this month FPC got a new member: Burton Behling.

A political independent and a protege of Chairman Smith, Behling is not expected to be so pronounced an anti-utility man as was his predecessor, Richard Sachse.

• **Heartening**—But the most impressive and—to the utilities—heartening indication of FPC's reversal of form came from Chairman Smith himself. In a talk before the National Rivers & Harbors Congress he conceded that existing federal power policies are inconsistent and unclear. Utility men, viewing the varied and sometimes conflicting roles played by FPC, Interior Dept., War Dept., and Tennessee Valley Authority, enthusiastically agree.

In suggesting that Congress revise these policies on a more "consistent" basis, Smith further encouraged private power interests. For—more by implication than by words—he indicated his general attitude that the private power industry might warrant a place in future power development programs.

• **"Able and Anxious"**—Smith made it plain that FPC would be able and anxious to help Congress revise federal policy in this field.

Whether the gas and electric power industries would endorse FPC's participation in national power policy remains to be seen. Governing factor probably would be their belief as to whether FPC has really changed its spots.

• **What Are Intentions?**—Smith made three suggestions regarding federal power policy revision:

(1) The government should "face squarely" the responsibility for providing adequate power supply in areas where it already is the big supplier of energy. This is a real issue today in the Northwest (BW—Jan. 25 '47, p. 22). It will become pressing elsewhere within a few years if no policy is laid down.

(2) Congress must establish a clear policy on federal transmission of power. This is a question which has been tossed about on Capitol Hill for years without anything resembling consistent treatment.

(3) Congress must decide what its long-term intentions are regarding electric power supply. Is the government going to make further inroads into the power business as an operator? Or is it going to "permit—except where it is already established in the business—the private power industry to carry on as a regulated utility enterprise, aided and encouraged to meet our national requirements?"

• **Hope**—Such decisions arrived at, Smith wants government and the power industry to live by them. And his way of stating the challenge leads utility men to believe he feels there will be a private industry to do so.

Power Rift

Two deals between federal agencies and private utilities are seen as move by Interior Dept. to hold off restrictive laws.

For the second time in recent months, a split has developed among private power interests fighting the public power planners (BW-Mar.16'46, p.5). Now both groups are attempting to assess the importance of that event.

Power for Power—Latest cleavage involves a 20-year deal between Texas Power & Light Co. and the Interior Dept.'s Southwestern Power Administration. Under its terms, the utility gets the energy from SPA's Denison dam that is to be marketed in Texas. In return, SPA gets the right to withdraw up to 25,000 kw. from T.P.&L.'s system to serve its own customers.

This means the private company will receive about half of the ultimate output of Denison's three 35,000-kw. generators, and up to two-thirds of the hydro plant's generating capacity.

What bothers the private power people most is that the deal puts SPA into business. For it gives SPA: (1) a new source of power—power that must

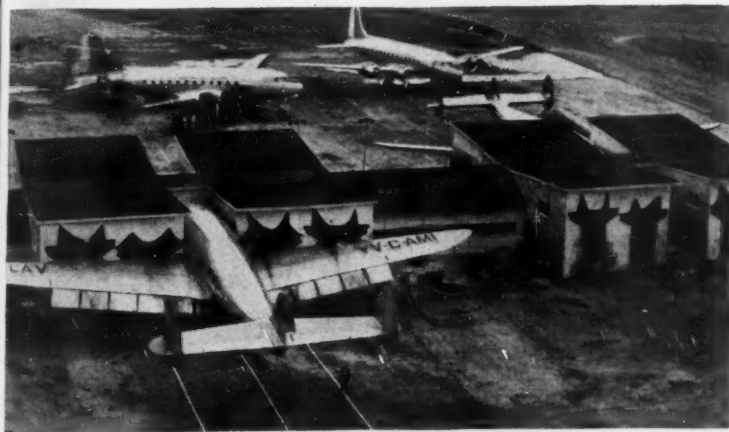
be supplied by T.P.&L.'s steam-electric facilities when hydro power runs low; and (2) transmission line capacity, which it lacked.

• **Northwest Problem**—This jolt, therefore, is more severe than that the private power interests received a few months ago. In the earlier deal, the five private companies in the Pacific Northwest backed Bonneville Power Administration's plea to Congress for more federal hydroelectric capacity in the region (BW-Jan.25'47,p.22). This put one industry group in the position of advocating a course which much of the industry has fought for years.

The basis of the trade in the Bonneville deal has not been revealed, but there seems to be little doubt as to its nature. BPA has always refused to sell power to the utilities on long-term contracts; the law requires it to give priority to public bodies and cooperatives. Now it appears probable that the private utilities have good assurance of long-term power from BPA.

• **Precautionary**—Observers see the two deals as effective moves by the Interior Dept. to bulwark SPA and BPA against possible restrictive legislation by Congress. Short of congressional action taking the U.S. out of the power business (which is unlikely), the two public power marketing agencies are battered down to weather any legislative storm.

Ground Crews on an International Basis



Lockheed Aircraft Corp. is going out hot and heavy for aircraft maintenance work on a global basis. A subsidiary, Lockheed Aircraft Service, Inc., has already accumulated contracts to service some 160 transports of all makes.

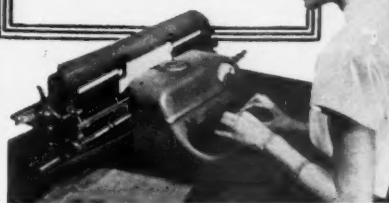
• **Three Bases**—Maintenance bases are being operated at Burbank, Calif.; Sayville, Long Island; and in County Clare, Eire. These installations already represent 250,000 sq. ft. of hangar space, 125,000 sq. ft. of shop

space, 900,000 sq. ft. of paved ramp.

The Long Island base (above) was begun a year ago. Nose repair docks are in full operation; a mammoth hangar to nest six "super" planes is nearing completion.

• **Plenty of Work**—The maintenance subsidiary has domestic contracts with the Army, Navy, American Overseas Airlines; foreign ones with French, Dutch, Irish, Argentine, and Venezuelan lines. The Navy contract alone involves \$3,500,000.

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MARKETING

Service for Busy Retailers

Company formed in Los Angeles to take and price food store inventories. Special staff keeps up to the minute on price changes. Three-man teams use voice-recorder to check stock.

Periodic checking of inventory is mighty important to food retailers right now. Reason: the many recent changes in prices, with the expectation of even more to come. It is impossible for a retailer to know where he stands unless he takes inventory frequently.

• **Service**—There is at least one man in the field who insists that once every three months is none too often. He is D. C. Montgomery of Los Angeles, who has developed a novel service to meet the need.

Montgomery had seen employees team up to make some extra cash by taking inventory at night or on Sunday. He decided that the market for such service was much too big to be handled in such an unorganized way. So he set himself up in business to do nothing but take and price food inventories. His newly formed company is called the Retail Stores Escrow & Inventory Service.

• **Pricing Is Paramount**—The service is divided into two distinct parts: taking the inventory, and pricing it. If Montgomery had to make a choice, he would probably say that pricing is the more important of the two under today's conditions.

The average food market contains more than 10,000 items. In canned goods alone, each label bears grade descriptions that determine the price. There is no standard price reference list to turn to, and changes occur all the time. Thus it is practically impossible for a busy retailer to keep track of them all. Montgomery has a staff that spends most of its time keeping tabs on quotations, so his customers are assured of up-to-date accuracy.

• **Mechanized**—To speed the inventory-taking, a dictating machine is used. Engineers from Dictating & Recording Co., New Haven (Conn.) manufacturer of the Soundscribe, went along with Montgomery on trial inventories; together they developed refinements to fit the machine for taking inventory.

A 75-ft. cord is used to plug the machine in successively on each of several fixed stations in a large food market. The machine carries a device to sound an alarm if it is not recording. Actually, the use of recording equipment in inventory checking is not new;

Crown Drug Co., for instance, has used Dictaphone's Telerecord for several years (BW—Sep. 11 '43, p. 80).

• **Has Three-Man Teams**—Montgomery sends out his inventory teams in groups of three. Two checkers mark and itemize; the one man handling the recorder is able to keep up with them.

Once the physical inventory is recorded, typed copies are made from the playback of the plastic disks. The procedure is always the same whether the inventory was taken for the purpose of selling the business, computing taxes, or just to furnish management with guidance information. It is only after the physical inventory is completely typed that the items are priced and the physical quantities translated into dollar figures.

• **Cost**—Montgomery claims that when stocks total \$100,000 or more his team can do the physical inventory for less than it would cost the retailer. For inventories of \$5,000 to \$100,000, he can do it for about as much as it would cost the store owner paying employees.



Two itemizers, a dictator (above) and a machine, make a fast food-inventory team—and a new business.

vertime rates. But if Montgomery
es it, the owner has none of the re-
sponsibility for the job.
Montgomery will not price an in-
ventory if the physical count was taken
by the retailer. "We cannot rely
on his count or on his classifica-
on of the many technical grades," he

Tomato Concentrates Gain Popularity

California's tomato canners are not
meeting uncertainty about this year's
crop (BW-Apr.26'47,p19) blind them
to a new trend in their industry: Con-
centrated products such as tomato paste
and sauce are gradually edging out
canned tomatoes.

Survey—To find out just how far the
trend has gone, the California Farm
Bureau enlisted the aid of the Uni-
versity of California. Dr. Walter D.
Fisher of the university's Giannini
Foundation examined the picture, came
up with these facts:

Tonnage of whole tomatoes canned
had fallen off. In the banner year
1946, it dropped 12.1% below the
1936-1940 average.

In the same period, the amount of
tomato puree, paste, and sauce packed
rose 37.4%.

Several reasons may account for the
shift to concentrates. One is that
women are finding the concentrates
easier and more economical for fla-
vorizing and seasoning.

Scarcity of hand labor in 1946 is
probably a contributory cause. (It takes
more manual work to can a whole to-
mato than to pack concentrates.) And
concentrates require less tinplate than
whole tomatoes, because the cans are
smaller.

Will It Last?—About whether the
reference for concentrates would last,
Fisher was noncommittal. Californians
hoped it would. In 1946, with a blight
reducing eastern canners' packs, Cal-
ifornia had canned 38% of the U. S.
total. But what pleased them most was
that they packed 78% of the nation's
tomato paste and 59% of the sauce.

EXPENSE ACCOUNT AID

Sales managers everywhere will wel-
come the National Wholesale Drug-
gists Assn.'s new report on Salesmen's
Automobile Allowance. Executives
armed with the factual information in
the booklet will find it much easier
when they set about examining their
men's expense accounts (BW-Apr.19
'47,p15).

Detailed tables and charts—with al-
lowances for urban and rural areas,
varying road conditions, and fluctuating

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prices of gasoline—make it a simple matter to compute weekly mileage costs. The report is intended primarily for the association's own membership. But it is available to anyone else who sends \$2 to the association at 330 W. 42 St., New York 18.

STILL AGAINST MONOPOLY

Wendell Berge, who recently resigned his post as head of the Antitrust Division of the Dept. of Justice (BW—Feb. 27, '47, p. 6), is continuing to fight monopoly. He has just become general counsel for the New Council of American Business, Inc. The council's announced aim is to preserve competitive conditions in American industry. Organized in 1945 (BW



Wendell Berge

—Dec. 8 '45, p. 20), it now numbers about 1,000 members.

At a press conference in New York last week, Berge gave a nutshell rule for detecting monopolies: "The test of whether a business is monopolistic is not is whether a new fellow can get into it."

Berge was with Justice for 17 years before resigning. He is a member of the law firm of Posner, Berge, Fox & Arent, Washington, D. C.

TRANSPARENT SELLING

Three-dimensional selling—by allowing the customer a clear view of a product's insides—is the aim of Transparex, a recently formed New York company.

The firm intends to produce equipment models made wholly or partially

a simple transparent plastic. Both moving and stationary parts will be made to scale, tinted or combined with opaque parts when desirable. As a sample the company has made a plastic duplicate of a miniature gas engine used for model airplanes.

The models are suggested for use in trade show exhibitions and job training. Thus far the company has made several model glass houses and a nontransparent miniature kitchen for the American Gas Assn.

Book Squabble

Retailers say they're under-
served by club operators who get
substantial advantage in prices
from publishers.

With book sales falling far below wartime levels, friction has begun to develop in the book trade. The argument centers around the practice of selling books and subsidiary rights to book clubs at extremely low prices. These prices in turn enable the book clubs to resell to members at a figure often lower than the wholesale price paid the publisher by the book retailer. Something, say the retailers, should be done.

Cause for Complaint—The storm clouds appeared at the recent convention of the American Booksellers' Assn. in New York.

Joseph A. Margolies, vice-president of Brentano's, Inc., had voluminous figures to make the retailers' case specific. For instance, he said that a year's regular selections of the Book-of-the-Month Club, plus dividend books, would cost member \$34.45; the same books purchased from the publisher would cost a bookseller \$42.15. To take advantage of this price spread, Brentano's has entered its employees on a straight membership basis in Book-of-the-Month Club, buys the books they receive from the club.

Booksellers also protest that book club contracts signed with publishers contain clauses specifically exempting the clubs from fair trade agreements regulating resale prices. They declared that fair trade contracts between booksellers and publishers provide that the publishers can give the clubs this exemption.

Refutations—The publishers' rebuttals pointed out that book-club acceptance frequently makes a best-seller out of a book that might otherwise gather dust on a dealer's shelf. Other refutations stated that most publishers are just breaking even on straight publishing activities, making money only on subsidiary rights like those sold to the clubs.

No attempt has been made to prose-



HYSTAWAY



DRAGLINE • CLAMSHELL • CRANE COMBINATION FOR USE ON "CATERPILLAR" TRACK-TYPE TRACTOR AND BULLDOZER

all in one machine

This new Hyster tractor mounted utility and production tool is making construction history for contractors everywhere, cutting costs, freeing other machines for other work.

You can mount the Hystaway on your present "Caterpillar" D6 or D7 track-type tractor—you do not have to wait for delivery of a new tractor—and have one piece of production machinery that combines tractor—bulldozer—dragline—clamshell and crane.

The Hystaway is installed or removed quickly, easily transported. It retains all of the tractor mobility.

The most important tractor tool development by Hyster in recent years, the Hystaway is unique in its variety of uses, can do better, faster work at lower cost.

See your "Caterpillar" distributor for further information; write for catalog 1070.

HYSTER COMPANY

2907 N. E. Clackamas St., Portland 8, Oregon
1807 North Adams Street, Peoria 1, Illinois

Hystaway is sold and serviced by "Caterpillar" distributors and export dealers

SIZES

Available for the "Caterpillar" D6 and D7 tractors.

DRAGLINE AND CLAMSHELL

D7—½ cu. yd. dragline bucket, ¾ cu. yd. digging clamshell or ½ cu. yd. rehandling clamshell.

D6—¾ cu. yd. dragline, ¼ cu. yd. digging clamshell or ¾ cu. yd. rehandling clamshell.

CRANE

Swinging live boom. Capacity the same at rear or sides.

MOUNTING

On in 2 hours (with 2 men); off in 1 hour after initial installation.

MOBILITY

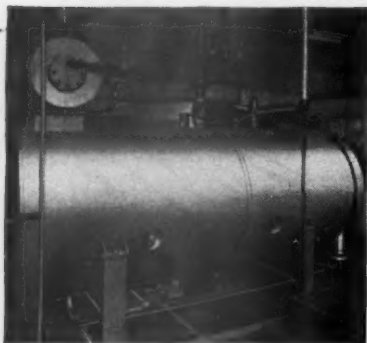
Full tractor mobility is retained. Crawler track oscillation is not impeded. Track rigidity when desired is accomplished by crank control at masthead.

OPERATION

Conventional shovel and crane controls. 240° swing at speed of 4.5 RPM.



Write for new Hystaway Catalog Includes specifications, working ranges, drawings; also pictures of Hystaway in action on dragline, clamshell and crane jobs. This booklet is free, informative and worthwhile. Ask for it.



Model SPH-50 Steam-Pak Generator supplies process steam and heating for Sylvan View Dairy, Lancaster, Pennsylvania.

The ALL-IN-ONE STEAM PRODUCER

Significant as is the *Steam-Pak Generator*, a complete boiler plant in one "package," there is a still more significant fact about its background.

When you buy a *Steam-Pak*, you are buying a complete boiler plant made entirely by one manufacturer . . . designed, engineered, and built by the leader of the industry . . . with undivided responsibility for quality, efficiency, and performance. Truly, the unique *Steam-Pak* is the all-in-one steam plant—useful anywhere, economical anywhere, needed everywhere. Industrial Division, York-Shipley, Inc., York, Pa.

Read *Steam-Pak Catalogs* ID-47-8A and ID-46-1A . . . yours on written request.

YORK-SHIPLEY
Oil-Fired Equipment for Industry
AMERICA'S MOST COMPLETE LINE
IN CANADA—SHIPLEY CO., LTD., TORONTO

cute the case under fair-trade laws or the Robinson-Patman act. Spokesmen for the retailers said they hoped for an amicable settlement. The booksellers' association plans to appoint a committee, discuss the situation with representatives of American Book Publishers' Council.

DUTCH COMPETITION

American department stores and specialty shops, busily competing with each other, will soon face a competitor from abroad. The Dutch firm of C. & A. Brenninkmeyer has purchased a Fifth Ave. location in New York, formed a new corporation, made plans to open a retail store "as soon as circumstances permit." Three Brenninkmeyer brothers—Willibrordus, Egidius, and Leo, members of the famous clothing family—are listed as directors of the corporation. The company will be known as C. & A. Brenninkmeyer, Inc.

According to Dr. Maximilian L. P. Steenberghe, eminent Dutch financier assisting the Brenninkmeyers, plans for the new unit were made before the war. Completely financed by private Dutch capital, the project required the cooperation of the Netherlands government only for release of the necessary dollar-exchange to get it started. But that should pay off; when finally under way, the store will return much-

needed American dollars to the Dutch investors, provide balances for purchases of U. S. goods.

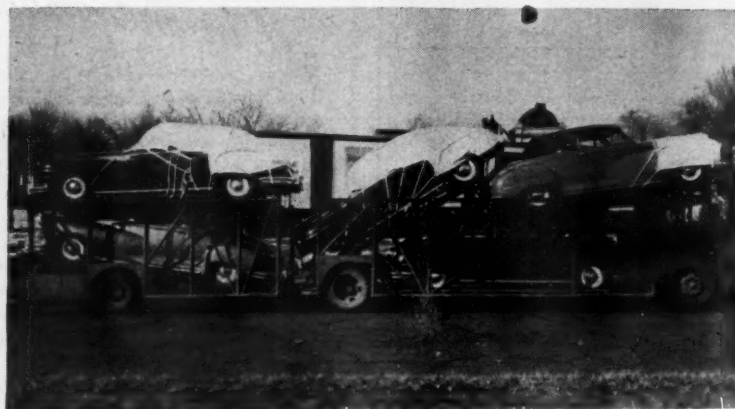
Following the Brenninkmeyers' successful European formula, the store will carry only women's and children's medium-priced outerwear. Current plans call for purchase of about 90% of the merchandise from American sources. Executives, buyers, and sales people will be recruited in the U. S. Only a few top-level positions will be filled by members of the Dutch company.

Tentative plans for the future include the erection of more stores in the U. S. Several localities are under consideration.

DRY-ICED FREIGHT CARS

Pratt's Fresh Frozen Foods, Inc., New York has begun to receive experimental deliveries of frozen food shipped in specially built freight cars employing dry ice as the refrigerant. The cars, designed by the Dry Ice Equipment Corp. of San Francisco, are owned by the Burlington R. R.

Major advantage of the new type car is that it maintains an even temperature of zero F or below. A recent 50,000-lb. shipment of blackberries, carrying 5,000 lb. of dry ice, made the 1,500-mile trip from Omaha to New York without any stop for re-icing.

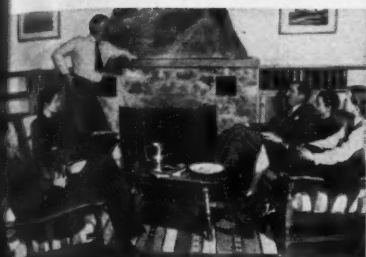


LOADED FOR AN EAGER MARKET

Faster, cheaper trailer-truck delivery of new cars may be in store for merchandise-hungry auto dealers. But there's a when and an if: when more cars are available, and if Holt Chew, Denver dealer, can weather the flurry his new five-car trailer has caused. Chew, who has brought two loads from Detroit, has formed the Rocky Mountain Auto Transport Co., plans to sell the unit at about \$8,500. Measuring 44 ft. 10 in. long, 12 ft. 5 in. high loaded, it squeezes inside average state carrier limits. But some haulers look askance at five-car haulaways, consider them unsafe. So does the A.F.L. Teamsters Union though undoubtedly its main objection is that the extra car means less work—and money—for drivers.

United States"

says Jack Widmer, who fought in the Battle of the Bulge . . . saw thousands starving abroad



1. "I AM HOME AGAIN. The fire blazes in the fireplace. My lands are paid for and they'll provide my family and those dependent upon with the world's highest standard of living."



2. "ON THE WAY HOME, Caroline, my eight-year-old daughter, chattered incessantly about goats, chickens, ponies . . . all the animals she must have. Now she has them."



3. "WITHIN NINETY DAYS we were once more producing a good part of our living under a well diversified program. My neighbors too, I noted, had branched out during the war years."



4. "BEEF IS OUR major crop. Already the cows are having their second calves. Careful feeding and management, strict sanitation, pay off with a 95% calf crop."



5. "THE ZERO-FREEZER is full to overflowing, and the battlefields of Europe are far distant. It becomes more and more difficult to visualize their horror."



6. "WHAT A LIVING! During the meat famine last summer it was Doris' pleasure to send hams, bacon and frozen beef to our relatives on both coasts."



7. "I KEEP a Remount Stallion, six thoroughbred mares, get high-type saddle horses for the Eastern market. Breeding some outside mares more than pays the stallion's upkeep."



8. "OUR GUEST HOUSE was built from an old bunkhouse formerly used for sugar-beet workers. I made the fireplace from native stone, using a USDA bulletin for guide."



9. "YES, LIFE IS GOOD. I've gained back those 30 pounds, sleep again without nightmares. Seeing Europe during the war gave me a new appreciation of this abundant land."

The Country

For Better Farming, Better Living



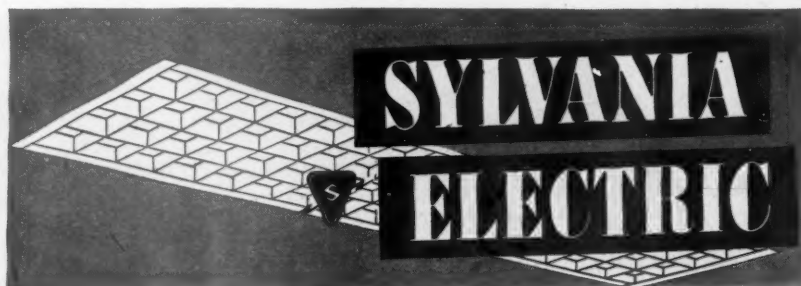
TROFFERED LIGHT



Space-Saving, Built-In Light Units add new efficiency to low ceilinged areas!

Great new addition to SYLVANIA'S lighting fixture line, troffered fluorescent units are the perfect answer to a multitude of lighting problems. They're built right into the ceiling! This means more overhead space, no hanging units to obstruct vision, collect dust or cause shadows. Complete

"packaged" units, SYLVANIA ELECTRIC troffered fixtures are easy to clean, maintain, re-lamp. For the best in lighting and the smartest in design look to SYLVANIA ELECTRIC, makers of America's No. 1 Fixture line! Sylvania Electric Products Inc., 500 Fifth Avenue, New York 18.



International Cellucotton Issues Educational Film

Recent addition to the long list of companies using educational movies as a public relations device is International Cellucotton Co.—famous in advertising history for its pioneer promotion of Kotex.

International Cellucotton's film venture is a ten-minute animated short produced for it by Walt Disney Productions. It is designed for junior and senior high school girls, uses animated cartoons in the familiar Disney style. Its aim is to give the girls the scientific facts about menstruation and to dispel misinformation about the bodily changes that accompany adolescence.

• **Little Advertising**—With only word-of-mouth advertising by professional teachers' groups and Parent-Teacher associations to promote it, the film has been shown to over 1,000 groups across the country by the end of March. Estimates are that 150,000-175,000 have already viewed the short.

First showing was Nov. 1 before the teachers of Los Angeles. Since November, International Cellucotton has had 75 prints in circulation. Difficulties in obtaining additional prints has slowed up wider distribution. But by fall the company expects to have enough prints to promote the film actively.

The company supplies a print of the standard 16-mm. film free, except for postage, to any group or school requesting it.

• **No Commercial**—The short carries no commercial advertising message; the only mention of International Cellucotton is the credit line.

Company officials plan no sampling to measure its effectiveness as a sales builder for the company's products.

P.S.

Auto dealers are fighting back against buyers who immediately resell to make a profit. Dealers are employing contracts stipulating that they get first opportunity to buy the car if the buyer decides to sell.

Metropolitan Life Insurance Co. booklet, Training Chain Store Personnel, is the fifth in its advisory series for its group-insurance customers.

Green coffee price dips have been followed by reductions down through the retail level.

Coolerator, Duluth (Minn.) refrigerator manufacturer, has a novel sales approach. It sells the box alone to be used as an icebox. When the buyer can afford the additional outlay, a factory-packaged unit will convert it into an electric refrigerator with a built-in frozen food locker.

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BUSINESS WEEK REPORTS TO EXECUTIVES ON —

THE NEW AMERICAN MARKET

The war is behind us. So is most—if not all—of the shifting back to peacetime production. War veterans and migratory war workers have settled down in the places where they probably will live for some time to come.

The U. S. is practically "back to normal." But what is normal? What is the character of the postwar market?

In the second of a series of reports on the New American Market, Business Week spotlights the Great Lakes region. A great mass of brand-new statistical data developed by Business Week could not be compressed in the report itself. These figures are contained in a three-page supplement to reprints of the report.

Next month: the Middle Atlantic states.

NO. 2 GREAT LAKES



This is the year for the Great Lakes region to come into its own.

Costly strikes and reconversion delays which plagued

this industrial hub of America last year are now past.

And across the nation the business boom is shifting from soft goods to heavy lines—in which the region specializes.

So there are good reasons why 1947 should better 1946.

Early postwar performance of the Great Lakes market proved disappointing to economic analysts. Income and sales last year matched the U. S. gains over prewar, it's true. At first glance, the region seemed to have held its own; but under closer scrutiny, it quite clearly lagged.

For the Great Lakes is a "feast and famine" market like the heavy industries which feed its income: In normal times both ups and downs far exceed the nation's. Yet in the 1946 boom the region failed to better the nation. It was off its stride. Actually, sales and income appeared to fall 10% short of expectations for them based on careful study of past norms.

Off that pale 1946 performance a pessimist could weave a theory that would plunge any marketer into positive gloom. Decentralization of industry is running against the region, he would argue. Organized labor acts as a powerful deterrent to postwar economic growth, he

would add. If the region can do no better than match the nation in a boom, it certainly will plummet in a recession, he would conclude.

But it's all too easy to overdo this pessimism—to jump from fact to fancy—to sell the Great Lakes market short. For in fact the region's economic gains, if not its market showing, surpassed the nation's over the war years. Population rose 6.0% vs. 7.6% for the U. S. from 1940 to 1946, and manufacturing employment went up 50% vs. 46%.

To get the right slant on market performance and prospects there is needed an understanding of the region's economic makeup, history, and changes.

MAKEUP AND HISTORY

The expectation that a Great Lakes upswing would exceed the country's grew out of the experience of the past. It went like this (percent change in income):

	U.S.	G.L.
1929-1933.....	-44	-51
1933-1937.....	56	72
1937-1938.....	-9	-13
1938-1939.....	7	10

The region fluctuated more than the nation from good

times to bad and back. But it ended up on the 10-year balance no better or worse vis-a-vis the nation than before.

Business Week pointed out these facts early in its studies of regional income and markets (BW—Jun. 3, 1946, p21). A couple of years ago the Dept. of Commerce analyzed the record and boiled it down to a figure. Commerce statisticians computed that on the average Great Lakes income rose and fell 12% for every 10% the national income changed.

The early years of the forties did not see the region depart from its normal trend. Quite the contrary. From 1939 to 1941 the Great Lakes income rose 36% versus 31% for the U. S. On the nose once more. The gap has opened up only since 1941: U. S. income increased 76% by 1946; Great Lakes performance was only 69%—less than the U. S. and much less than "normal" (the corresponding norm for the region would be 86%).

Actually, this statistical "norm" applies only to normal times. It breaks down in periods of great price inflation such as we have had since 1941.

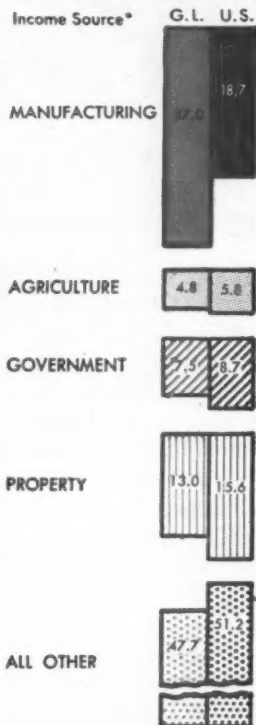
So the income lag in 1946 was not as big as the 10% computed by formula. Probably it was half as big. But it was a lag. And it came in 1941-1946.

In other words, the region's income lag is purely a war

GREAT LAKES INCOME KEEPS PACE WITH U. S. INCOME

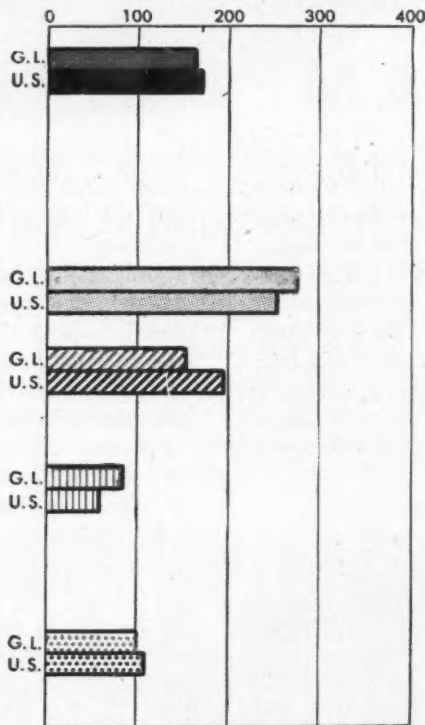
Great Lakes draws more income from factories...

(Type of income as percent of total, 1939)



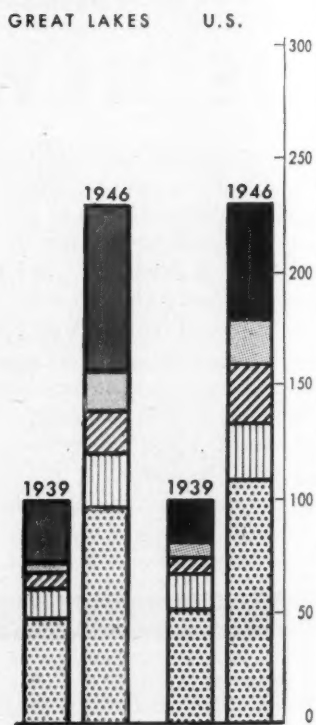
But all types of its income increased a little more or less than the U. S. ...

(Percent gains, 1939 to 1946, by type of income)



So its total income advanced the same as the U. S. total.

(1939 total income equals 100)



Data: 1939—Dept. of Commerce
1946—Business Week

*Manufacturing: payrolls only; Government: civilian and military pay, plus allotments; Agriculture: farm proprietors; Property: rents, dividends and interest; All Others: income from trades, services, utilities etc.

© BUSINESS WEEK

postwar phenomenon. That suggests it resulted from war-born economic change. But a change from what? No market analyst need go far to discover the basic character of the Great Lakes economy. It is written in the make of its factories in and around its great industrial cities. Great Lakes reactions to business ups and downs are rapid and violent because the region is the hub of U.S. heavy industry employing the industrial workers predominant among its people. (Just as business swings in the Far West are late and slow because it is a land of growth that fosters white-collar occupations.) Encompassed in this territory from Youngstown to Milwaukee, from Cincinnati to Flint, is two-fifths of America's durable goods industry.

Ingots rolled at mills in the Mahoning Valley and the alumet district provide nearly half the nation's steel. Machines made in places like Dayton and Chicago furnish almost 50% of our production. And four-fifths of the country's cars, parts, and trucks are assembled in Detroit and its satellite centers.

The Great Lakes region is America's Ruhr, Midlands, and Urals rolled into one.

Manufacturing payrolls altogether are half again as important to Great Lakes income as they are to the national income—27.0% vs. 18.7% in 1939, for example.

But look at its heavy goods payrolls alone. They bulk twice as big in regional income as they do in the U.S. total. In fact by themselves they are as important to the region as is all manufacturing to the country (18% in both cases).

Heavy on Heavy Industry

No other region is so heavily industrialized. One of every seven of its people—women and children included—works in a factory; the U.S. proportion is one out of eleven. In cities like Detroit and Cleveland, one out of every four or five people is a factory hand; every other person who earns his living in such cities does so in a manufacturing plant of one kind or another.

Consequently, such other means of employment as agriculture, government, and special services are less significant than they are in the U.S. So is property income relatively smaller.

To some people the notion that farming is less important to the Great Lakes than it is to the nation comes as a shock. Yet it's true. Of course, the Great Lakes is a big farm producer. Everyone knows Wisconsin cheeses. Indiana corn is a consistent prize winner at the International Livestock show. Much of the tomato and corn-cake comes from this region. It is also the leading soybean territory.

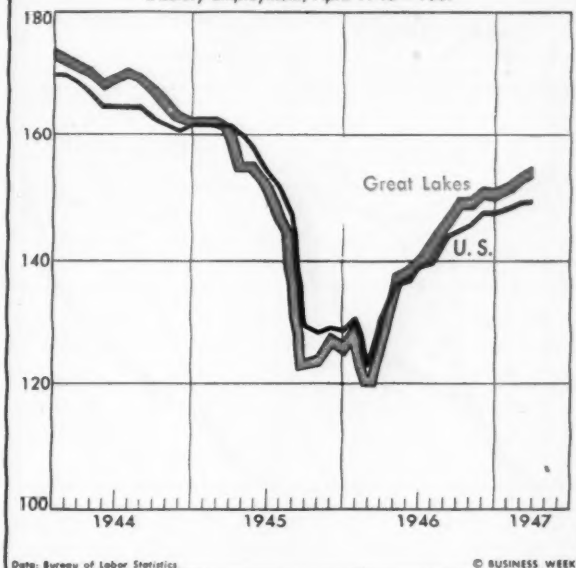
The five-state area does account for a bit less than a fifth of all U.S. farm output and income—which is a lot. But that hardly stacks up with heavy industry, of which the region boasts two-fifths the U.S. total. And the regional share of American population or income, which is a bit over one-fifth. So its agriculture is still a slightly subordinate activity.

Now every amateur economist knows that heavy goods

GREAT LAKES DOWN & UP MORE

Factory jobs decline and recover more sharply

(Factory Employment, April 1940 = 100)



industries move up and down in the business cycle with far more violence than soft goods, and that manufacturing fluctuates more than commerce or finance or services. It's common knowledge, too, that payrolls change more than property income.

Hence it is entirely understandable why on all these counts the Great Lakes economy and market are far more susceptible to ups and downs in national income than are other regions.

As Wall Street speaks of its "prince and pauper" heavy industries, so sales managers have their "prince and pauper" market in the Great Lakes region. But it is a "prince and pauper" market only from the standpoint of ups and downs in good and bad times.

As of any one time the region actually has proportionately fewer princes or paupers than the nation. Fewer of its people run into the top income brackets that draw main revenues from property. And fewer of its people fall among the lowly paid laborers, servants, or marginal farmers.

All this is clear when the region's 1940 occupational distribution is contrasted with that of the U.S. (employment groups as percent of total employment):

Group	Great Lakes	U.S.
Professional	7	7
Nonfarm proprietors	8	9
Clerks, etc.	20	18
Skilled workers	14	11
Semiskilled workers	23	20
Unskilled workers	19	24
Farm proprietors	9	11

The middle layer of skilled, semiskilled, and clerical workers predominates in the Great Lakes. They comprised 57% of the region's labor force vs. 49% in the U.S.

Indeed, year in and year out the region shows itself

LIKE INCOME, LIKE SALES Great Lakes patterns parallel the U.S.



to be a slightly richer market than the nation as a whole. Per capita income in 1939, for example, averaged 10% above the nation's. In 1946 it was 8% above the U. S. Even at the bottom of the 1933 downswing, per capita income was 1% higher than the country's.

And along with somewhat higher incomes it has slightly larger savings (chart, page 48).

The reason for this market richness lies in the very same industrial, occupational, economic nature of the region. Factory hands earn more than farm hands. And heavy goods industries have traditionally paid higher wages than nondurable goods (in 1939 hourly wages in automotive factories were 93¢ versus 45¢ in cotton mills). And certainly skilled machinists command more than domestic servants.

Because it is a heavy goods center, the Great Lakes has always been a high wage area.

This whole background of the regional economy makes the Great Lakes postwar performance all the more surprising—that its income should have risen from 1941 to 1946 by only 69% vs. the more than 76% expected of it.

Suppose you asked yourself on V-J Day, as many a marketing man did, Where shall I expect the postwar boom at its dizziest? Surely you would have answered, surely in the automotive capital of the world. Where else than in the farm machinery factories of Milwaukee and Chicago? Of course, in the steel mills of Gary and Youngstown.

And yet it was not so. Why not? Strikes and reconversion naturally jump to mind as part of the answer.

With its heavy goods factories largely converted to munitions production, the Great Lakes took a longer time to effect reconversion to civilian output. Its auto plants had to be cleared of government machines and machine tools before auto assembly lines could be

reinstalled. So did many of its machinery factories. Meanwhile, its steel mills had to revise their rolling schedules drastically as the product mix was changed suddenly. As a result, the region's 1945-1946 employment was depressed below the nation's (chart, page 43).

But reconversion was not all. Even when plants were ready to run, they could not. For strikes also took heavier toll. Last year they were concentrated in steel autos, machinery—regional specialties. So the Great Lakes last year suffered almost two-fifths of all the man-days the nation lost to strikes—though it has only one-fifth the population or income.

And man-days lost only measure direct strike effects; they don't reflect indirect losses. General Motors, for example, has effectively pointed out how often its assembly operations were halted by strikes in suppliers' plants.

Even factory job statistics tell some but hardly the full story about either the strike or reconversion setbacks to payrolls. They don't measure the short weeks or the one-week layoffs that have proved so characteristic of metal working operations in the past 18 months.

Yet these passing strike and reconversion troubles explain only a part of the income lag in 1946.

The other parts of the picture are less easy to see. They have to do with basic and structural changes in the U. S. economy wrought by the war.

One of these changes has taken place in the industrial shares of national income. Income differentials between industries have been narrowed, closed, or even reversed. Thus from 1941 to 1946 the average weekly pay of U. S. workers in durable goods industries advanced 37%; over the same time, weekly wages of nondurable workers climbed 65%!

Income Shifts Hit Region

Just as heavy goods are twice as important to the Great Lakes as to the U. S., so soft goods are less important to the region than the nation. But heavy goods wages rose less than soft goods wages. So Great Lakes income advanced less on that account.

Simple averages for light and heavy goods wages even understate what has actually happened. Lumber and steel are both durable goods; but lumber wages went up more than steel; and lumber is not a big industry in the Great Lakes, where steel is. The same contrast holds true of textiles and foods.

Agriculture is another big industry whose earnings have outdistanced those in other lines—and once again farm income contributes less to the Great Lakes total than to the nation's. So on that count, too, Great Lakes income has been held back.

Effects of these income shifts have rippled out into payrolls of other main lines like trade and services. For wage rates in such unorganized industries follow those in manufacturing, which is highly organized.

When wages in Great Lakes heavy industries go up less than in textile or apparel areas, so do wages in other jobs go up less.

A subsidiary and side issue in the Great Lakes income

has to do with governmental income. As a northern central region, it is not strategically located for training camps or military bases. Hence the region had less expansion of military and civilian services of government, which was still a big U. S. income item in 1946.

EMPLOYMENT & INDUSTRY

Employment in the region, of course, has ascended sharply than in the nation since prewar days. That's why Great Lakes income was able to hold its own. From 1939 to 1946 factory jobs jumped 50% vs. 42% in the nation. But factory payrolls rose only 166% vs. 172% for the U. S. because wages per worker increased less.

Contrasts among other lines naturally are less striking. They follow the same pattern: The region outruns the nation in jobs but not income. All jobs gained 30% in the region, only 22% in the nation, from April, 1940, to October, 1946. In 1940, the region had more unemployed put to work; and by 1946 it also gained more people. These economic gains hardly bear out ideas of a second wartime economic change—a loss in Great Lakes industrial importance. Many supposed that occurred; but it didn't—except by fractional comparisons.

To be sure, above-average job gains could come to a heavy goods region just in the move from poor to boom times. And still it could have been losing its relative indus-

trial share. That's actually what happened—but by such tiny margins as really to prove the region's strength.

Compare, for example, the regional percentages of total U. S. manufacturing employment by lines of industry last autumn with those prevailing in 1939:

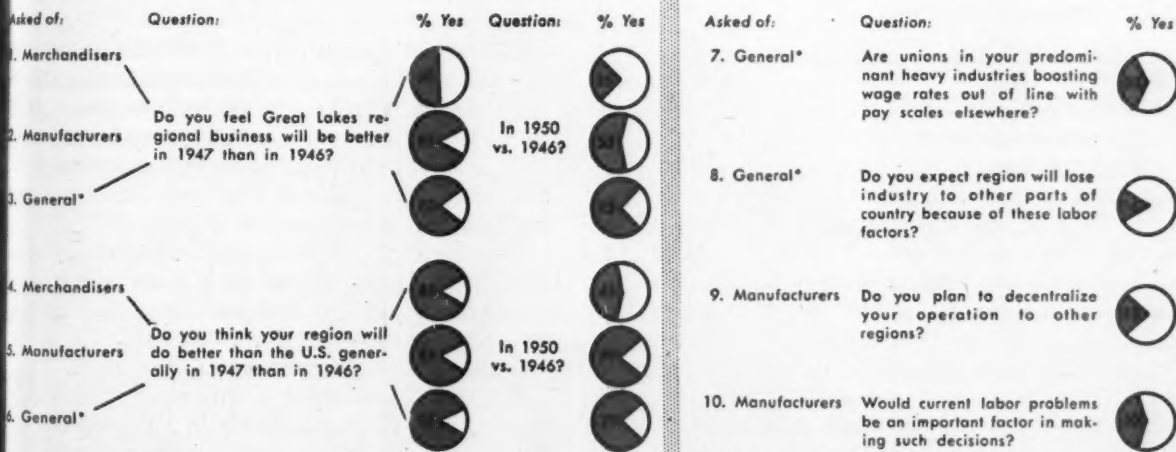
Percent of U. S. Jobs in Great Lakes			
Industry	1939	Oct. 1946	Change
Total	28.2	29.5	+1.3
Steel & products	41.4	41.9	+0.5
Machinery incl. elec.	44.5	42.9	-1.6
Automotive	83.4	82.4	-1.0
Food	25.5	24.1	-1.4
Paper & printing	28.6	27.8	-0.8
Oil—chemicals—rubber	28.3	27.4	-0.9

The much-talked-of decentralization of industry to the South and West chipped off only one percent or so of the Great Lakes' shares in key lines. And in one or two industries—steel fabricating, for example—the region even gained. All the Far West's gains in steel only knocked the Great Lakes down from 45.9% of U. S. ingot capacity in 1939 to 45.0% today. But the share of electric power capacity went up—from 22.6% in 1939 to 23.0%.

One-third of all war facility expansion occurred in this region, which led all regions in number and value of war plants installed. It even outranked the Far West in aircraft expansion. Since the end of the war most of the war plants in the region have been put to peacetime use.

GREAT LAKES LEADERS GAGE OWN FUTURE

Business Week asked a variety of executives in the Great Lakes states what they think business will be like in their region. Their replies to our specific questions are summarized here:



* Includes Banks, Advertising Agencies, Newspapers, Public Utilities, Railroads.

At least four out of every five executives in all principal lines of business think the Great Lakes region is in a preferred position this year. They believe current business prospects are better there than they are for the nation generally. With the exception of retailers and wholesalers, they are almost as confident business in 1950 will be running ahead of last year.

Surprisingly, only a minority of executives believes organized labor is creating conditions unfavorable to regional industry. Even fewer businessmen expect the region to lose its industrial importance because of the trend to expand manufacturing in the South and West. Only one-fourth of the manufacturers plan to decentralize their own operations.

Data: Business Week.

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Where Great Lakes Dollars Go

Great Lakes market patterns are quite like the nation's. Income per person runs slightly higher. But the same share of income goes to federal personal taxes—11% in 1946 vs. 1% in 1939—and the same proportion of income is spent in retail stores. Even population follows the U. S. age groupings.

Rich farms provide cheap food and feed, so fewer dollars go to those stores, more to others. More cars are bought—but there's less f.o.b. to pay (1939 sales breakdown as percentage of the total):

	U. S.	Great Lakes	Difference
Food	24.2%	23.2%	-1.0%
Eating & drinking....	8.4	8.4	0
Gen. merchandise	13.5	13.7	+0.2
Apparel	7.8	7.4	-0.4
Drug stores	3.7	3.8	+0.1
Filling stations.....	6.7	6.8	+0.1
Automotive	13.2	13.5	+0.3
Bldg. mat. & home furn.	10.6	10.8	+0.2
Other (feed, etc.)....	11.9	10.9	-1.0

More trade goes to chains than in the U. S. generally (25.6% in Great Lakes vs. 21.7%). Mail-order houses are excluded from the chain percentage: Otherwise they would boost the figure—because they're centered in Chicago.

That points up the fact that the region is a whole-sale market hub for the whole U. S. One reason for it is that it lies at the center of U. S. population, located for decades past in central Indiana. It also boasts an unsurpassed transport system, both by rail and by water on the Great Lakes. And it is a main U. S. manufacturing center.

No other evidence has turned up as cause for gloom that the region is losing its industrial importance. Take industrial construction, for example. Last year the Great Lakes share of total U. S. dollars spent for plant building was 25%. That was almost equal to its 29% share of existing factory employment.

Construction data totals serve equally well to deny that this industrial region is "mature" or "middle aged," as regions go. While its 1946 population proportion was 21% and its income share 22%, its contribution to all U. S. construction was a comparable 21%. The 1939 construction figure was not much different at 19%. If not exactly a sign of young and rapid growth, it is hardly a sign of senility.

Great Lakes businessmen themselves, from what they have told Business Week in person and by mail questionnaire, are not pessimists. Only a minority thinks that unions are creating unfavorable wage differentials. And still a smaller minority believes the region will lose industry on that account.

True, one of four industrialists is planning to decentralize, in part because of labor. But in many cases the

shift in scene of operations is from one place to another within the region. That's the case, for example, with General Motors which is putting as many new plants in the region as it is outside. International Harvester is sticking close to home, too, with its new plants.

What's more, there are instances where industries that are centered in other regions are decentralizing part of their operations to the Great Lakes. That offsets the movement outward on the part of some manufacturers.

PROSPECTS

What has the Great Lakes market in store? A considered evaluation must conclude that the short-term future is relatively bright. And the long-term future is certainly not bleak.

The region has already accelerated its pace considerably above its relatively slow speed in 1946. That is by now perfectly obvious from current employment statistics. In the first quarter of this year factory jobs were up 23% from early 1946 vs. 16% for the U. S.

On the score of government income, too, the region fared better than the rest of the country since last year. Uncle Sam's military and civilian payrolls alike have been dropping sharply. The Great Lakes was hurt by that, but less than other regions, because it benefited less before.

Also, with regard to the shifting in income shares, 1947 is producing a better record. The second round of wage adjustments now being concluded is more even between soft and hard lines than it was before.

More important, income tides among industries will shift in the Great Lakes' favor for the rest of this year and very likely the year after. The national business boom in soft goods is quite clearly going sour. But the boom in hard goods seems to have plenty of life left in it yet.

On that point, at least, both economic prognosticators and Great Lakes industrialists agree. Automakers detect few signs of a letdown in markets or production this year. Farm machinery makers are enthusiastic about pent-up farm purchasing power. Producers of such major equipment as turbines and generators, boilers and engines are convinced of the solidity of their order backlogs which in many cases stretch as far ahead as 1950.

There can be some heavy goods letdowns, to be sure. Homebuilding may sag and bring down with it production of home appliances and furnishings. Steel operations may ease later this year due to accumulation of excess inventories, as some forecasters say. And so on.

Yet all such damaging events would still leave the region better off than normally in a recession. For the evident strength in farm, auto, export, and other heavy goods markets will cushion the region's fall.

Indeed, every time heavy goods output has risen, the region has cut away markets for soft goods. Either their price falls (farm products) or activity drops (ladies' apparel).

And as the basic industries go, so go the dependent trade, service, and related lines in a region. As heavy goods activity and pay hold up, they will bolster Great Lakes payrolls more than elsewhere.

At very least, all this means that Great Lakes income

ould not drop by its 12%-to-10% normal ratio to U. S. come if the nation encounters a business dip. But that only half the story.

For once the region may well go down less sharply than nation. In any case it will regain some more of the and lost through 1946. This is so whether the nation continues to ride the boom or sinks into recession, for in either case heavy goods will pick up on soft goods.

In summary then, the region's short-term outlook is on upbeat. It is gaining on the nation. It is doing better year already on the score of strikes and wage changes. will pick up more as heavy goods outdo soft goods.

Long-term, regional potentials may be slightly lowered. Because heavy goods will not overtake soft goods nationwide, the region cannot regain all of the income and lost since prewar times. Uncle Sam will keep farm res up to certain minimums when they drop. And high insurance benefits and union contracts will stop tex or apparel wages from sliding all the way back to war differentials with heavy goods. So some of the ns in earnings made by light on heavy goods since 1939 will persist. And that affects regional income.

As for loss of industrial importance, it can clearly be ed out as a primary factor in the 1946 income showing.

The chips that fell from the region's share of industry since 1939 were too small to count for much. But they may signify a downtrend. After all, the evidence of 1946 industrial construction and of industrialists' own plans points to further slight and slow losses.

But such a trend would affect markets only very gradually. There is the gloomy view that later developments will lead to major decentralization. But the balance right now has to be struck against that idea.

Another count on which the region may lose out is if we have another severe depression like that of the thirties.

Hardly anyone believes such a business collapse will recur in the next few years. But there is some fear it may happen again in the fifties. If it does, this heavy goods region would drop sharply, of course. That's one reason why businessmen here are less surely optimistic about 1950 than they are about 1947.

WITHIN THE REGION

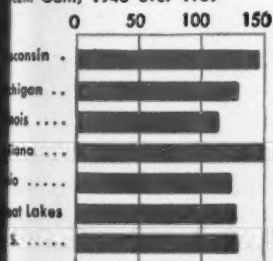
Wide sections of the Great Lakes states, far from following the over-all regional trend, have run counter to it. Contrasts in market makeup and movement are even greater within the region than between it and the nation.

GEARING TO THE INDUSTRIAL HUB OF AMERICA

breakdown of the Great Lakes market and of the changes in it since before the war

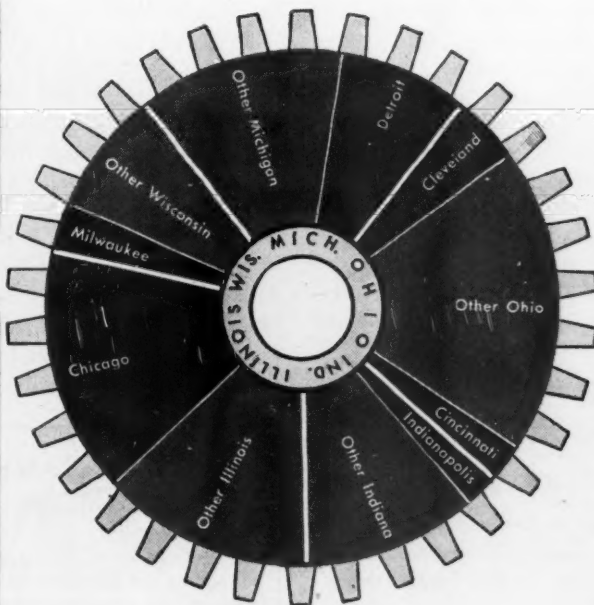
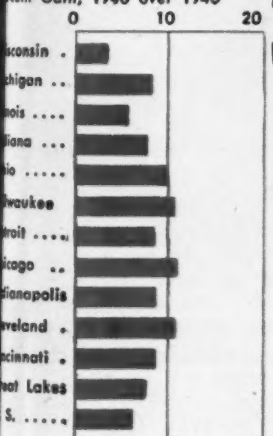
INCOME

Percent Gain, 1946 over 1939



POPULATION

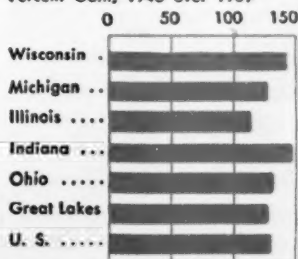
Percent Gain, 1946 over 1940



DISTORTION MAP
BASED ON 1946 POPULATION

SALES

Percent Gain, 1946 over 1939



MFG. EMPLOYMENT

Percent Gain, 1946 over 1940*



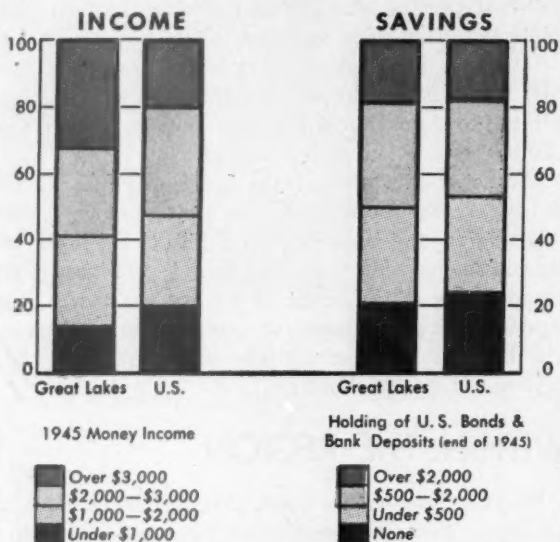
*April, 1940; October, 1946

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Business Week.

INCOMES, SAVINGS ABOVE PAR

Percent of all spending units,* by income and savings class



*Units in income classes and savings classes not necessarily same units. Some persons with large incomes have small savings, and vice versa.

Data: U.S.—Federal Reserve Board
Great Lakes—Business Week

© BUSINESS WEEK

The same forces that divided the region from the nation serve to distinguish one section of the region from another. That is the split between soft and heavy goods. Specifically, intraregional differences revolve around a division between farming and heavy industry.

Take, for example, the state lineup in importance of farm vs. factory employment in 1946 in the table below. Wisconsin and Indiana are more agricultural than the others; Ohio and Michigan are mainly industrial; Illinois leans toward industry but not quite so heavily. (It boasts a heavy concentration in such other activities as finance and wholesaling; Indiana, contrariwise, has little of these.)

The industrial states show the above-average gains in population and employment—as did the region vs. the nation. Farm states have below-average gains.

	1946 Farm Employment as % of Labor Force	1946 Factory Employment as % of Labor Force	% Gain, 1940-46 In Popu- lation	% Gain, 1940-46 In Labor Force
Wisconsin	17	28	3	9
Indiana	14	34	7	14
Michigan	8	40	9	15
Ohio	8	35	10	20
Illinois	7	29	6	15
Great Lakes	9	33	8	16
U. S.	13	25	6	11

Agriculture raised its output with fewer people by boosting efficiency. Differently, heavy industry required a great deal more labor to make the typical boom period jump.

But the picture is quite different on income or sales advances, as is clear from the charts (page 44). Here the farm states show up as above-average while the industrial states are below average, as is this industrial region as a whole. The farm states benefited from the soaring of farm

prices, while the industrial states lagged in heavy goods wages. (Illinois' picture is complicated by a high proportion of slow-moving property income.)

Net results of bigger income gains and smaller population gains for the farm states was an above-average jump in income per person. For industrial states the situation was reversed.

	Per Capita in 1939	Income in 1946	% Gain 1946 Over 1939	1946 % of U. S.
Wisconsin	485	1155	138	98
Indiana	495	1138	130	98
Michigan	591	1234	109	106
Ohio	603	1225	103	106
Illinois	671	1375	105	118
Great Lakes	593	1252	111	108
U. S.	539	1162	116	100

The level of per capita income also follows the farm factory pattern. It characteristically is above average in industrial states, below average in farm states (while Illinois' property gives it a special boost). These levels must be qualified by the fact that the same number of dollars buys more on the farm than in the city.

The Hub Within the Hub

Best way to view the region's inner contrast is to follow economic instead of state boundaries. The southern edge of Lake Michigan from Milwaukee through Chicago, South Bend and the southern edge of Lake Erie from Detroit through Toledo and Canton to Cleveland constitute an industrial hub within this hub of American manufacturing.

It includes half the region's population but three-fourths of its industry. Outlying sections, contrariwise, are more predominantly agricultural. Of course, there are important industry in centers like Indianapolis, Evansville, and Cincinnati, just as there are major fruit and dairy farms in the "hub within the hub."

But the economic differences between these two territories are sharp enough to have stamped out contrasting market performances. This is not a half farm, half factory region; industry definitely predominates; but much more so in the inner hub, and much less so outside it.

The shift in soft goods-heavy goods balance will likewise affect the intraregional market breakdown. Just as the region is gaining on the nation now, so the industrial sections will come up and farm sections go down within the region.

REPRINTS AVAILABLE

Copies of this Report to Executives, coupled with three-page Market Data Supplement, will be available in color reprint form in about two weeks. Single copies will be mailed to Business Week subscribers upon request without charge—to nonsubscribers for 20¢. Additional copies will be billed at the rate of 20¢ apiece. On orders of 11 or more, quantity prices will be quoted on inquiry. Address orders for reprints to Paul Montgomery, Publisher, Business Week, 330 West 42nd Street, New York 18, N. Y.

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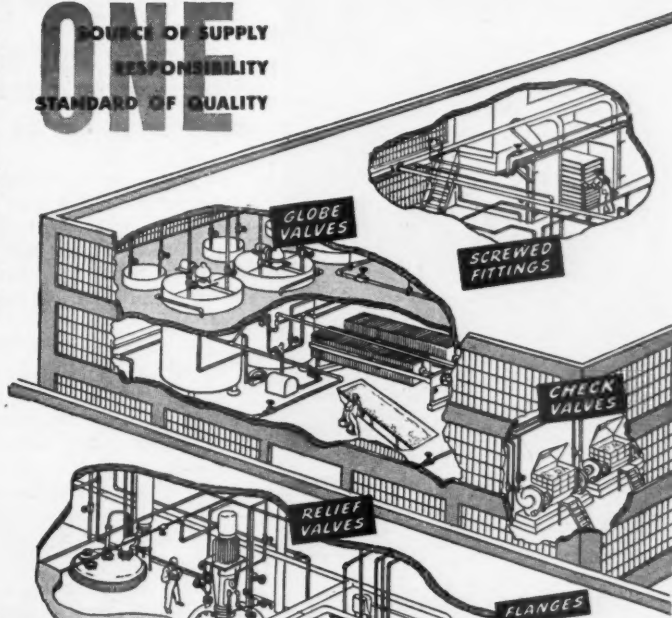
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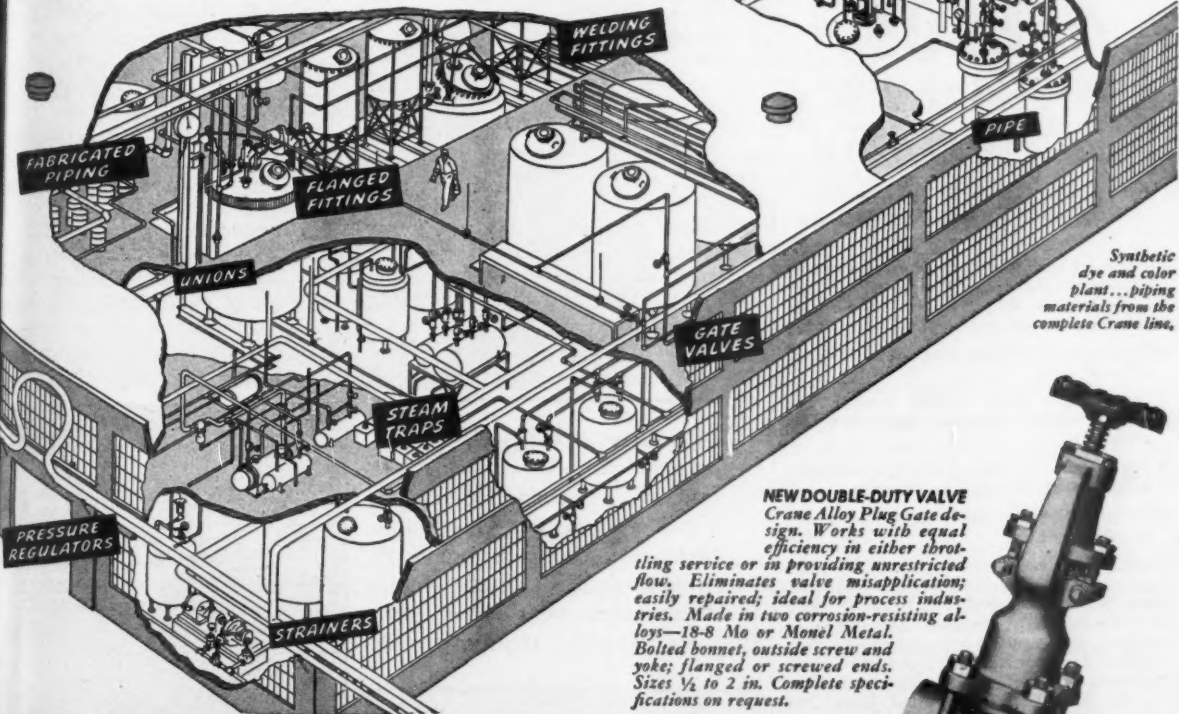
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OUTSTANDING QUALITY of every item assures uniform excellence and dependable performance in every part of piping systems.

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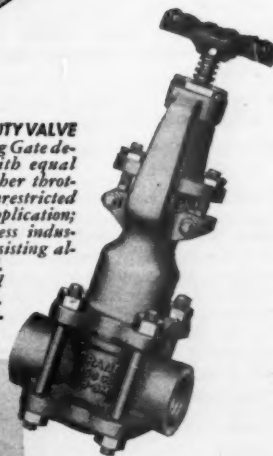
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* Manufactured under U. S. Pat. Nos. 1,997,538; 2,044,742; 2,147,407; and 2,225,868. Canadian Patent No. 363,183.



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WASHINGTON, PENNSYLVANIA

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PRODUCTION

Wiring by Stamping Press

New development, patterned after conventional electric circuit diagram, may simplify "rat's nest" in radio sets. Basic grid copper strips can be stamped into insulating board quickly.

To the layman, the business side of a radio set looks like a rat's nest. That same "rat's nest" costs the set manufacturer plenty. Assembly is costly in labor and time; both inspection after assembly and servicing are difficult and expensive.

Some method of "prefabricated" wiring would simplify these operations. It would cut costs on mass-produced electrical equipment requiring complicated wiring: radios, telephonic devices, automatic controls, dashboards, and panels. Printed circuits (BW—Feb. 23 '46, p19) and sprayed circuits (BW—May 11 '46, p52) have been tried with some success.

• **Greater Advance**—But a new development promises even greater advances. It uses metal-forming machinery to produce a wiring subassembly, is called a "stamped" circuit. Its most significant feature is that it is an important step in putting electrical assembly operations on a mass-production basis.

Stamped circuits are a development of A. W. Franklin, president of the Franklin Airloop Corp., Long Island City, N. Y. Franklin converts the rat's nest layout into an orderly, interconnecting scheme based on the conventional wiring diagram. The company plans to license the process and to spread beyond the radio field.

• **Lines and Loops**—Ask any electrical engineer to sketch out a circuit, and

he draws a series of horizontal and vertical lines. He uses dots for connection points between the horizontal and verticals, and loops to show lines passing over each other and connected.

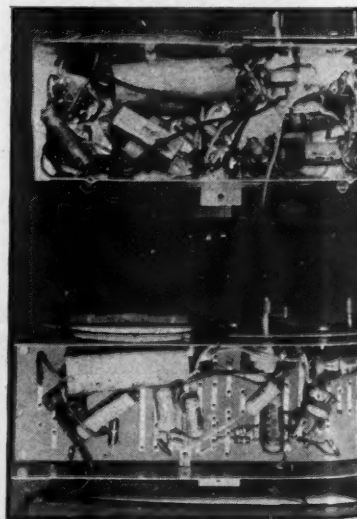
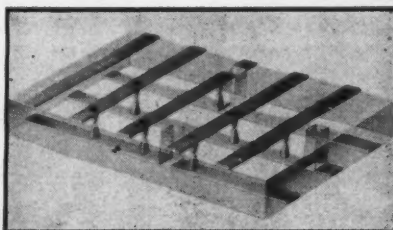
Theoretically, if horizontal strips of copper wire are fastened on one side of an insulating board, and vertical strips are fastened on the underside, a basic "grid" would be available for any circuit. Horizontal strips could be connected through drilled holes in the board to vertical strips below. Strips could be cut off at any point to break connection.

With this basic grid, it is possible to work out any number of different circuits.

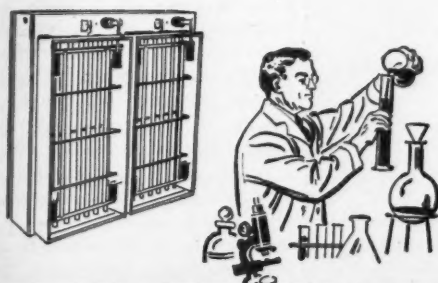
• **For Mass Production**—Franklin adapted this theory to mass-production. A sheet of 1/8-in. Bakelite, or other insulating board, is fed into a 150-ton press. On the board is placed a sheet of tinned copper, coated on one side with U. S. Rubber Co.'s Kotol thermal plastic cement.

When the press operates, heated shearing and forming dies cut the copper into conducting strips 1/16 in. wide with equal spacing between strips. At the same time, pressure forces the edges and ends of the strips into the insulation. The heated dies soften the Bakelite board sufficiently to insure locking the copper strips into place, and

Mass-production techniques turn out a stamped wiring layout (below). It consists of interconnected copper strips fastened on either side of an insulating board. Result: the usual rat's nest (upper right) of a set becomes an orderly arrangement (below right), easy to assemble, inspect, service.



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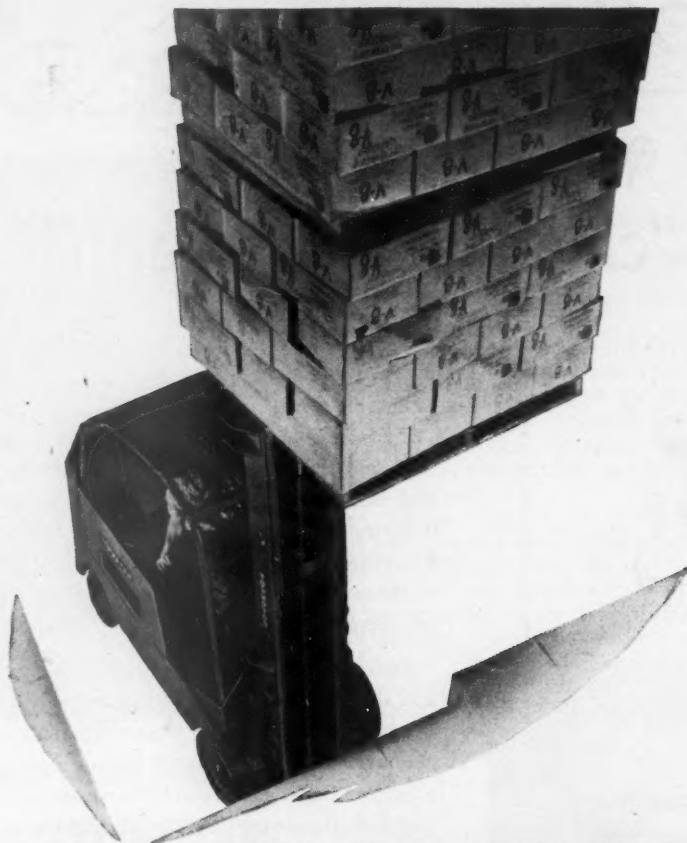
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simultaneously to set the cement. By the same method, wiring strips are fastened across the other side of the board.

The dies can be altered to produce any desired circuit. A press operation can form projections which fuse to make connecting points, and can also punch out the strips to cut off a conductor to desired length. The rest (drawing, page 50) is a mechanical wiring diagram.

• **Connecting Paths**—Hollow eyelets provide connecting paths through the insulation, and also serve as terminals for the leads of resistors, capacitors and other required components. When connection to a single vertical or horizontal line is desired, an eyelet or pin can be punched into the selected conductor at a point which misses the conductor on the other side.

Wire leads of capacitors, resistors and coils can be bent or preformed into the eyelet or over the pins, then soldered in place automatically by induction heat. Tube and transformer sockets can likewise be dropped in place and permanently connected in a single operation. Some installations would require that these jobs be done manually. And in all cases large parts would have to be mounted and connected by conventional methods.

• **Compactness, Simplicity**—Performance tests on equipment using stamps

AN EASIER WAY



Relief from that perennial back-breaker—the hand lawn roller—is offered by Steel Equipment Co., Cleveland. The company is making a pony-size, self-driven road roller designed for lawns, driveways, golf courses, tennis courts. It has a 42-in. wheelbase, a 6-hp. engine. Fill up the welded-steel roller with water and the unit weighs a ton. There's also space for a 600-lb. concrete block.

are now under way. Little or circuit modification has been found necessary. The method allows more orderly placement of parts, and more compactness in design. Alignment of parts in production is simpler, since they are stamped out by a die does not vary from set to set. The method simplifies inspection and testing. It makes servicing of circuits easier. Cost determination has not as yet been made because it depends on the particular wiring involved, and on die cost. Die cost is influenced by the quantity of assembly required, the relative complexity of the wiring, and the volume achieved by supplier and assembler.

But substantial savings over present methods are expected. For example, Franklin believes that a stamped assembly for 5-tube model radios with sockets built in, and ready to receive component parts, can be made for about double the present cost of sockets alone.

Mechanization—Franklin is sure that adoption of the method would save electrical manufacturers money and save space. It would allow about 90% reduction in the average set to be assembled mechanically at the rate of ten or more per minute. But it would require the installation of mechanizing equipment. This means that manufacturers would have to mechanize, making a careful and precise layout, to derive maximum benefits.

FOR HOUSING

Two new builders of prefab homes and a new building-material producer last week got the green light from Federal Housing Expediter Frank R. Crec-

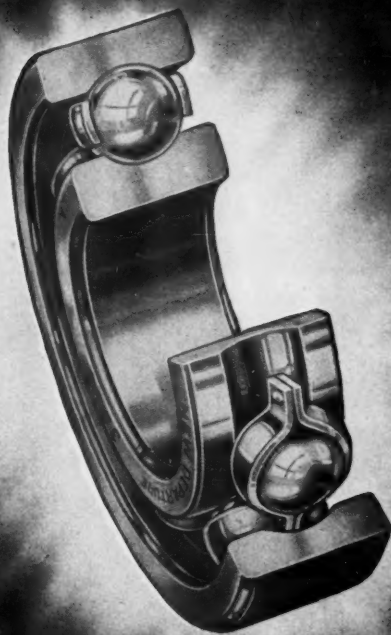
reedon requested the Reconstruction Finance Corp. to provide guaranteed market contracts for Pilgrim Homes, Fairfield, Conn.; Preco Corp., Bingham, Wash.; and International Forming Co., New York City. Pilgrim and Preco are to produce wood-frame-and-plywood houses this year. They are licensees of R. Ford Lumber Co., McDonough, N. Y.

International, a subsidiary of Cres-Pomroy, Ltd., Montreal, will make minimum siding at the rate of a million linear feet a month. This siding is slightly concave; when applied to the side of a house it is under tension, which adds to its rigidity.

AINS FOR FOUNDRIES

The foundry industry is taking steps to insure a future supply of engineering talent.

The Foundry Educational Foundation—backed by the American Foundry-



Hope of Industry

Looking into the future, industry sees the imperative need for cutting costs now.

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With machines that can be run at higher speeds, more can be produced with the same amount of equipment. More pieces per minute, per hour, per day—at a lower cost per piece.

And machines can be run at the highest speeds—for longer periods—with less trouble—if they are equipped with ball bearings.

New Departure ball bearings operate with less friction—and less heat—than any other type of bearing. They permit higher speeds. They are precision-made of tough, forged steel to give longer life. Write for your copy of the booklet, "Why Anti-Friction Bearings."

nothing rolls like a ball

NEW DEPARTURE forged steel BALL BEARINGS

6 VITAL ADVANTAGES

- Higher speeds
- Lower maintenance costs
- Greater accuracy
- Every kind of load
- Simplified design
- Less friction—less wear

NEW DEPARTURE • DIVISION OF GENERAL MOTORS—BRISTOL, CONN. • Branches in DETROIT • CHICAGO • Other principal cities

freezing

FISH

FOWL

FRUIT

FAST!



This "Buffalo" Axial Flow Fan, the Vane-axial belt-driven type, is ideal for quick freezing systems.

Circulating chilled air as a part of the freezing process, "Buffalo" Axial Flow Fans are playing an important role in the fast-paced food industries. Here, where freezing must be done FAST—where time-table schedules must be KEPT—air must be delivered continuously and in plentiful volume! In addition, the cost of operating such fans must be low.

"Buffalo" Axial Flow Fans meet these requirements—not only in foods, but in growing numbers of air jobs in many other businesses. Working on the straight-line air principle, they attain remarkably high efficiencies, especially when installed in straight portions of duct systems. Perfect rotor balance assures quiet, vibrationless performance, and the "Buffalo" Limit-Load characteristic prevents motor burnout.

For low-cost, dependable air delivery in comfort, health and process ventilation, write us now for Bulletin 3533-B.

BUFFALO FORGE COMPANY

458 Broadway Buffalo, N. Y.
Canadian Blower & Forge Co., Ltd., Kitchener, Ont.

"Buffalo"

AXIAL FLOW FANS

men's Assn., Gray Iron Founders Society, Malleable Founders Society, Foundry Equipment Makers Assn.—lead the way.

Foundries and foundry-equipment makers are being asked to contribute \$1 per employee per year for the next three years to create a working fund about \$280,000 for the foundation.

The money will be used to develop and arrange basic courses of study in five engineering schools, to assist the schools in obtaining required foundry equipment, and to establish 50 scholarships a year for the next three years. The scholarships will be awarded to college men interested in foundry engineering careers.

Case Institute of Technology, Cornell University, Massachusetts Institute of Technology, the University of Cincinnati, and the University of Wisconsin are the schools where foundry engineering courses will start this September. Northwestern University also will be included in the work.

The foundation's campaign chairman is John M. Price of Ferro Machine Foundry Co., Cleveland.

STUD-WELDED SPRINKLERS

Underwriters Laboratories, Chicago, has certified the use of stud welded (BW—May 3 '47, p52) for hanging sprinkler systems in public buildings.

Nelson Stud Welding Corp., Lorain, Ohio, manufactures the gun and stud brackets can be installed by moving just enough plaster or cement to allow the nose of the gun to contact the steel ceiling beam. This eliminates the task of chipping away plaster or cement all around the beam to allow installation of hangers.

SOLUBLE SAUSAGE CASING

Fruit and vegetable wastes can be converted into soluble protective casings for sausage and other meats. Louis B. Howard, chief of the Bureau of Agricultural & Industrial Chemistry of the Agricultural Research Administration, described the process recently before the Food Industry Advisory Committee. If the product is boiled, the film dissolves. If fried, it is tender and edible.

MINERALS SURVEY

The Interior Dept. last week sent to Congress everything it knows about the nation's mineral resources. The preliminary survey, summarized in a report issued two years ago (BW—May 1947, p70), will be used in a study of the minerals for a national minerals inventory. The study is being undertaken by the committee on mines and mining of the Senate Public Lands Committee.

NEW PRODUCTS

Motor

miniature, permanent-magnet motor using only 1.5 volts d.c. has been developed by Essell Corp., 19 Euclid Ave., Newark 5, N. Y. It can be operated from a small amplifier tube, flash-type battery, or similar small-voltage source.

Designed for portable moving picture cameras, phonographs, wire recording timing and control devices, and winding clocks, the motor weighs 1 oz. Dimensions are $1\frac{1}{2} \times 1\frac{1}{2} \times 1\frac{1}{2}$ in. At 0.8-amp. load it produces 0.0005 in. at 3,000 r.p.m.

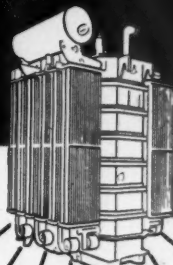
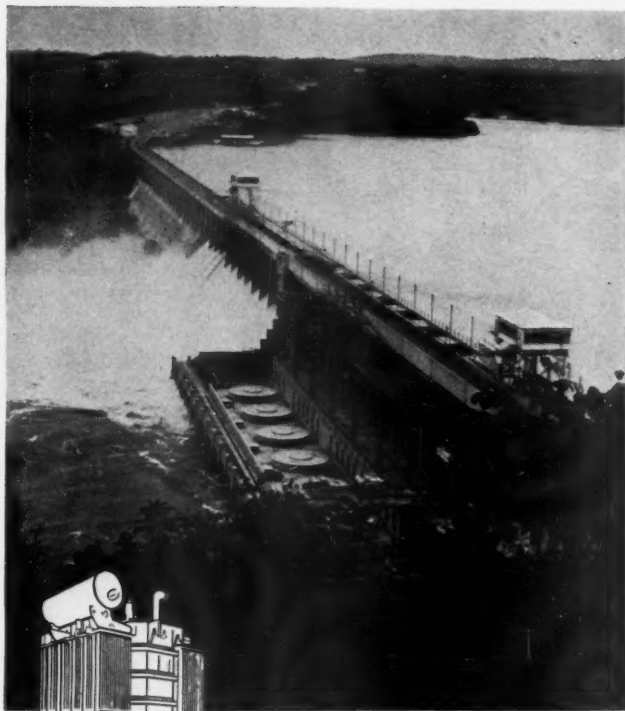
Magnet and pole-shoe assembly is cast in place as an integral part of the motor housing. Motor-end covers are permanently sealed. It is possible, according to the manufacturer, to change the basic motor winding so that the motor will operate over a range of low voltages up to 28 volts.

Availability: delivery in two weeks.

ERS wable Conveyor

Chic Rapids-Standard Co., Inc., Grand Rapids 2, Mich., has designed a compact belt conveyor for use between punch-press machines. The new conveyor has a bed four feet long, is a common model to two larger Press-Veyors made by the company.

The Press-Veyor is used primarily to



POWER FOR INDUSTRY, FARM and HOME

Power transformers and giant generators working at hydroelectric plants ... wires stretching from tower to tower ... substation transformers ... distribution transformers ... and in cities, towns and hamlets, lathes turn out an endless stream of rolling pins, powerful lights burn in operating rooms, movies flash across the screen in a hundred theaters, grain is ground for farm stock and food is served piping hot on a thousand tables.

Or in other words, water power has been harnessed, converted into electric power, and transmitted in usable form to factories, hospitals, theaters, farms and homes.

Wagner power and distribution transformers are adding to their established reputation for dependable performance in electric power systems throughout the country. When you need transformers, or other Wagner products, consult the nearest of our 29 branch offices, or write to Wagner Electric Corporation, 6460 Plymouth Ave., St. Louis 14, Mo., U. S. A.

Wagner

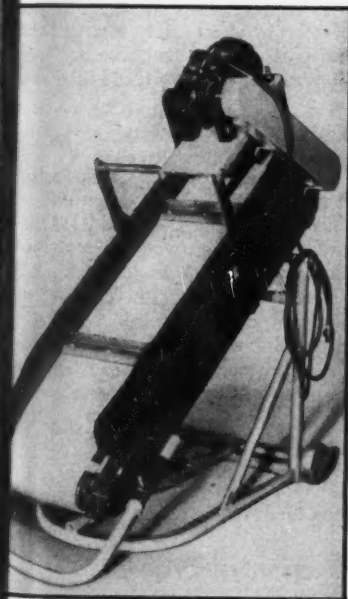
QUALITY PRODUCTS



SINCE 1891

ELECTRIC MOTORS • TRANSFORMERS • INDUSTRIAL BRAKES • AUTOMOTIVE PRODUCTS

747-4



they stampings through punch-press operations and to dispose of scrap. The manufacturers state that it may also be used as a steep-angle conveying unit for handling many other types of products. The unit is powered by a 1-hp. electric

\$328.00



COST OF ONE MAJOR EYE ACCIDENT

1.50



AVERAGE COST OF ONE PAIR SAFETY GOGGLES

\$326.50....SAVED

BY PREVENTING 1 EYE ACCIDENT

Above is the simple arithmetic of what one major eye accident involves—and the relatively *infinitesimal* cost of the means to prevent it. Some authorities put the direct cost of major eye accidents even higher—at \$351 and estimate the hidden or indirect expense as *4 times as much* in terms of idle machines, lowered production, cost of time lost by injured employee, foremen and others and additional factors.

Why risk even one eye accident that can add to today's burden of pyramided costs? 98% of eye accidents can be prevented by the use of safety goggles, according to the Society for the Prevention of Blindness. Your AO Safety Representative has complete facts and figures which prove that adequate eye protection can lower *your* costs.

American Optical



COMPANY

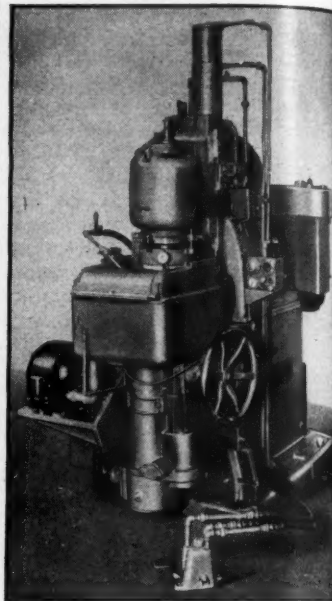
**Safety
Division**

**SOUTHBRIDGE, MASSACHUSETTS
BRANCHES IN PRINCIPAL INDUSTRIAL CITIES**

motor. Two-wheel balanced design allows the Press-Veyor to be moved easily. Availability: delivery in one week.

Vertical-Stroke Grinder

A foot pedal controls operation of the new Vertical-Stroke Grinder developed by O. S. Walker Co., 54 Rindale St., Worcester, Mass. The machine



of the machine travels vertically, the surface being ground rather than horizontally. Surfaces may be ground flat, concave, or convex up to an angle of 15 deg. As a safety feature, all moving parts of the machine are enclosed. Availability: immediate delivery.

Rotary Refrigerator

For commercial and industrial refrigeration, Frigidaire Division of General Motors Corp., Dayton 1, Ohio, has produced a lightweight rotary unit in three models. A single, steel, cylindrical case houses the rotary compressor and motor assembly. The unit, which may be suspended from ceiling, weighs 85 lb.

Direct drive between the motor and compressor eliminates seals, belts, and pulleys. There are no pistons or packing pins in the assembly. A small horizontal fan, mounted on the top and protected by a grille, cools the unit.

Illuminated Typewriter

Streamlined design is featured in improved Zenith Portable Typewriter. It is manufactured by Zenith Typewriter Corp., 216 Williams St., New York, and was styled by Robert Diller. A closed bottom permits typing with the machine on the typist's

without danger of oil leakage. Another feature is a built-in lighting system. Two concealed bulbs underneath the desk illuminate the paper and the keyboard. Separate tension controls are provided for the right and left hand. Availability: delivery in 60 days.

Moistener

For sealing envelopes or attaching tape or labels, Lorain Co., 3616 Lillie St., Fort Wayne 5, Ind., has developed a wetting agent. A few drops of the material, called Wet-It, are added to the water in a sponge-holder or other dispenser. Its function is to make the water spread more evenly over the surface to be moistened. The wetting agent is a combination of organic chemicals, nontoxic, has no objectionable odor. Availability: two-ounce size, immediate delivery; larger sizes in 30 days.

Lock-Time Computer

Time-clock arithmetic is simplified with Worktimer, says Allied Research Corp., P. O. Box 17, Somerville 43, Mass. The device is a white plastic slide that looks something like a slide rule. One movement of the slide solves elapsed-time problem, according to the company.

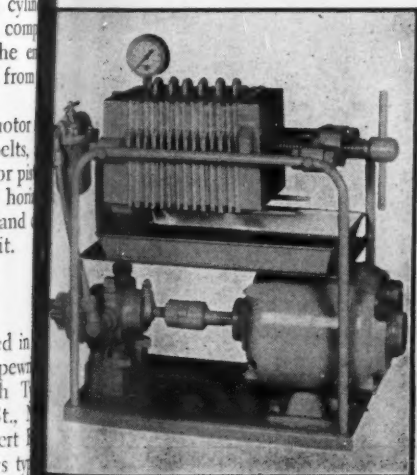
Availability: immediate delivery.

Portable Filter

A portable filter press that weighs only 70 lb. is announced by Buckeye Laboratories Corp., 6700 Morgan Ave., Cleveland 4. The unit filters up to 60 gal. per hr.

Incoming fluid passes through preliminary filter which removes particles of 0.0035 in. diameter or larger. A built-in relief valve maintains fluid pressure below 60 psi. without interrupting filtration. The pump is driven by a $\frac{1}{2}$ -hp. motor.

Availability: immediate delivery.



IS WHAT YOU SAY WORTH 3¢ A DAY?

Why let office noise prevent people from hearing clearly? A ceiling of Armstrong's Cushiontone will reduce that noise permanently. The cost is usually about 3¢ a day per person, figured over a few years.

An Armstrong's Cushiontone ceiling pays for itself many times over. Quiet will save time and prevent misunderstandings. It also improves efficiency and office morale. When you get rid of the constant din of shrill bells, loud voices, and banging machines, everybody finds it easier to concentrate and gets more work done.

More than 75% of all the sound that strikes a Cushiontone ceiling is ab-

sorbed by the 484 deep fibrous holes in each 12" square. This high efficiency is not affected by cleaning or repainting. Cushiontone is a good light reflector and provides extra insulation. It can be installed quickly, easily. Ask your local Armstrong contractor for an estimate and learn how economically you can free your whole office from noise.

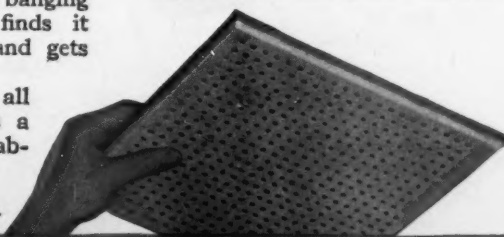
WRITE FOR FREE BOOKLET, "How to Exterminate Office Noise Demons," Armstrong Cork Company, Acoustical Dept., 4705 Walnut St., Lancaster, Pa.

CUSHIONTONE IS A REG. TRADE-MARK.

ARMSTRONG'S CUSHIONTONE



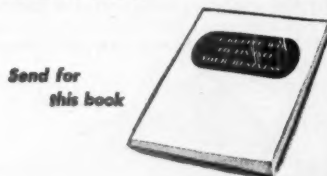
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If your business needs more cash . . . for working capital or any other sound business purpose . . . send for our book, "A Better Way to Finance Your Business." Learn how little money costs, how much more you can get and how long you can use it under our Commercial Financing Plan. Manufacturers and wholesalers have used this plan to a total of more than one billion dollars in the past five years, because they found it more liberal, more flexible, more conducive to progress and profit. Write or phone the nearest office listed below.



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FINANCE (THE MARKETS—PAGE 86)

What Is A.T.&T.'s Future?

Small investors question outlook for market's favorite blue-chip. They fear rising expenses, cost of huge expansion program. But rate increases are being sought; dividend should hold at \$9

Wall Street counsellors have had plenty of questions hurled at them since the bull market fell apart a year ago.

None, however, measures up to the flood of queries that has been coming in lately about American Telephone & Telegraph Co. common stock. This is the largest, most widely distributed, and most popular blue-chip security in financial annals.

• **The Reasons**—Here is what has been prompting concern over A.T.&T.:

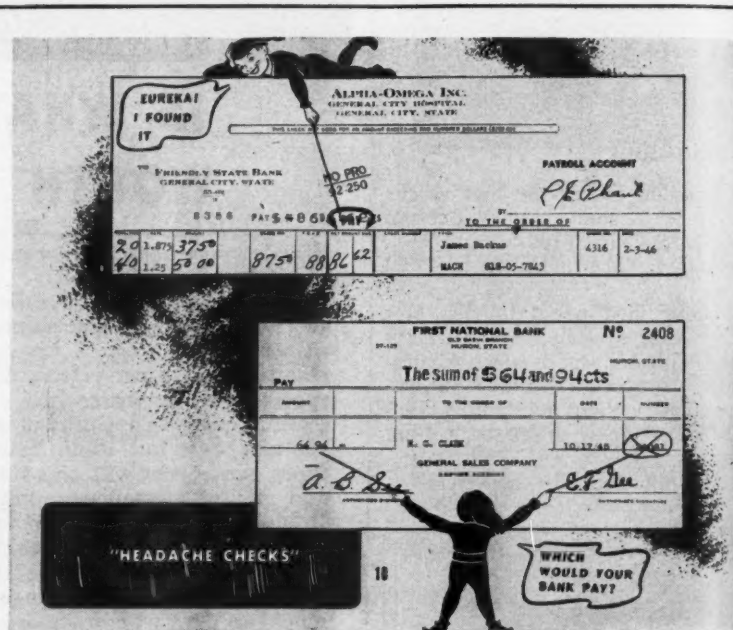
• The sharp uptrend of the Bell System's postwar operating expenses. More and more stockholders wonder if costs can be held in check sufficiently to keep

up the \$9 a share dividend A.T.&T. has paid for some 25 years now.

• A.T.&T.'s gigantic postwar expansion program. Plant facilities now on the drawing board may require \$2,500,000 of new capital in the five years through 1950—or almost as much money as A.T.&T. raised from 1920 to 1945. The Jeremiahs among stockholders thus envision an increase in the amount of outstanding shares, and the annual fixed charges which must be paid before dividends are possible.

• **Psychology**—Mixed up with this picture is a psychological factor.

True, many A.T.&T. stockholders



WANTED: FIRST AID FOR THE BOOKKEEPER

Checks, through which 95% of banking transactions are handled, can be—and often are—a banker's prime headache. Variation in size and form, too many figures and promotional symbols slow down the clerk who has to sort out the essential facts: who is paying whom how much on what bank. To combat the problem, the Committee on Check Standardization & Simplification of the Bank Management Commission of American Bankers Assn. last week issued to A.B.A. member banks a colorful manual, "Check Standards." The elf in the illustrations (above) underscores what's wrong. Main recommendations: Reduce the number of check sizes; cut down on check-design frills.

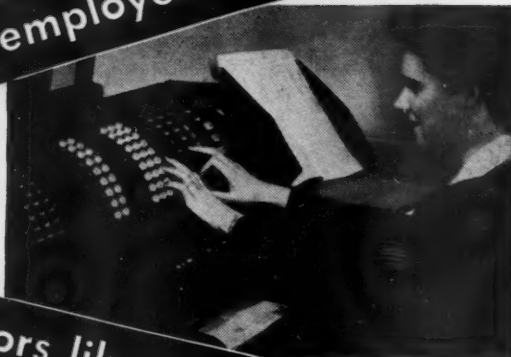
the management likes it...

the employees like it...

AT PEPPERELL



the operators like it!



In 1944, the Pepperell Manufacturing Company bought a National Payroll Machine for its Fall River Plant. This machine gives a receipt with each pay envelope, listing the deductions for taxes, social security, savings bonds, etc. It also lists total earnings for the year to date, total income tax paid, and current total of savings for next bond.

After installing the National, there was no trouble keeping deductions straight, and employees were pleased by its clear figures which made plain the running total of bond, and other, deductions. The management was pleased by saving two days' payroll time each week. And the girls operating the machine, liked it immediately.

On the basis of its performance at Fall River, the Pepperell Manufacturing Company installed another National Payroll Machine in its Opelika Plant (about 1,000 employees), and two in its Lindale Plant (about 3,500 employees). These, too, have given excellent service.

Consult your local National representative, or write to The National Cash Register Company, Dayton 9, Ohio. Offices in principal cities.

National

CASH REGISTERS • ADDING MACHINES
ACCOUNTING MACHINES

Making business
easier for the
American
businessman.

**So flexible is the National Payroll Machine that the Fall River payroll is now paid in cash, although formerly by check. When not running payroll, it is used to figure labor distribution costs, direct and indirect, for the entire plant.*



This was a "smart number" back in '27.

The pattern that fitted a growing business...

THE SIMPLICITY PATTERN CO., INC. of New York City started business back in 1927...with two long-range ideas.

First—to meet the basic needs of the home-sewing market with patterns that were smart, low-priced, and easy to use. Second—to control the manufacture of their patterns from design to finished product, building and operating their own printing, engraving, paper-making, and binding plants.

Idea No. 1 clicked from the start. Simplicity patterns were right...in price and style. The Company and the market grew rapidly. But Idea No. 2—to make their business fit a large over-all pattern—required special financing.

Most business opinion during the Depression years was pessimistic, and credit for expanding firms was hard to get. Simplicity Pattern came to

the Bank of Manhattan. Here they found sympathetic interest in their problem. The Bank had confidence in the Company's product, its plans for expansion, and in the Country's ability to recover its economic balance.

The Bank of Manhattan extended Simplicity Pattern a line of credit which enabled them to put in new equipment and extend their operations. Today the Company is the largest pattern manufacturer in the world.

Two far-sighted ideas grew, with understanding and financial help from the Bank, into a large business. This is another example of the Bank of the Manhattan Company's "pattern of banking policy", designed to support the cause of business not only with funds but with counsel based on years of broad experience.



Bank of the Manhattan Company

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

are seasoned investors, prone to coldly the long-term aspects of a situation without being scared by temporary influences.

On the other hand, 94% of A.T.&T.'s 700,000-odd stockholders have less than 100 shares each. \$207,400 individuals actually hold one to five shares apiece. And it's a small "unseasoned" stockholders are having most of the jitters over company's immediate future.

• **The Record**—On the surface, what about A.T.&T.'s nearby earnings look like much ado about nothing. After all, the Bell System's traffic in 1946 was at a record high (106,000,000 phone calls daily, an increase of 15,000,000 over 1945).

Equally impressive, A.T.&T.'s 1946 operating statement, which gave no consideration to undistributed earnings of operating subsidiaries, showed

• Almost \$192 million of income available for dividends against less than \$100 million in 1945.

• Earnings of \$9.42 a share vs. \$8.66 in 1945 when the average number of shares outstanding was 564,000 smaller.

• An \$8,500,000 surplus after the payment of 1946's \$9 dividend, compared with a total deficit of more than \$500,000 in 1942-45 (after disbursement of dividends).

• **Tax Factor**—These details, however, are considered so much water over the dam by those worrying over the future trend of A.T.&T.'s earnings. More pertinent to them are some remarks by President Walter S. Gifford in the company's 1946 annual report.

According to Gifford, 73¢ of \$10.23 consolidated earnings applied to A.T.&T common last year was provided by nonrecurrent tax carryover credits. Without these, he said, 1946 earnings equaled only 5.7% on the capital investment despite the record gross revenues.

• **The Setup**—Over 80% of the nation's 31,600,000-odd interconnected telephone lines are owned by the Bell System (whose many threads are tied together in A.T.&T.). Bell gets over 90% of domestic telephone revenues. And together the various Bell companies, which can boast some \$6,600,000,000 of assets and a telephone plant valued at \$6,300,000,000, comprise the largest corporate enterprise in the world.

A.T.&T. itself has no phones in service. It is, however, in a sense both an operating and holding company. It owns virtually 100% of the common stock of a myriad operating subsidiaries throughout the nation. And it operates the long-distance toll lines and wire circuits that connect "local" companies.

Other A.T.&T. activities include (1) control and licensing of telephone patents; (2) almost 100% ownership of Western Electric Co. which supplies

ADVERTISING CHAIR



The Advertising Research Foundation, which serves as focal point for advertising readership studies (BW—Nov. 9 '46, p54), has a new board chairman. He is Otis A. Kenyon, chairman of the board of Kenyon & Eckhardt, Inc., New York advertising agency.

Author and inventor, Kenyon organized his own business in 1929 after ten years' experience in the technical advertising field. He served his company as treasurer until 1942, then became chairman. Since 1943, Kenyon has been a director of the ten-year-old foundation. As chairman, he succeeds Stuart Peabody, assistant vice-president of Borden Co. Peabody will continue as a director.

system with almost all its equipment; and (3) joint control with Western Electric of Bell System Laboratories, an organization specializing in telephone equipment and service research.

Regulation—A.T.&T.'s interstate operation of long lines is regulated by the Federal Communications Commission. And business has grown steadily since inception. So much so, in fact, that AT&T ordered an annual \$51-million cut in gross revenues in 1948. Later AT&T announced additional reductions involving about \$32 million annually. As a result, by 1945 the average rate between 25 of the largest cities had dropped to \$1.65 from the \$5.90 that prevailed in 1922.

The intrastate telephone business of AT&T's subsidiaries is regulated by public utility commissions of the states in which they operate. These rates are just as microscopic an investigation of interstate long-distance calls.

Costs Up—Bell System's postwar operating costs have jumped just like

BUSINESS IN MOTION

To our Colleagues in American Business ...

The automobile industry is regarded by suppliers as a highly desirable customer. Its orders are large, and strict insistence on quality standards keeps a company on its toes. The industry's demands for ever better materials, higher production, and lowest possible prices consistent with quality have been in part responsible for making the automobile business America's greatest, giving employment to one-seventh of our country's workers.

It sometimes surprises industrialists who do not have direct contact with this great industry when they learn how painstaking is the attention given the smallest item. Take parts for spark plugs, for example. Revere supplies free-cutting brass rod for the terminals. This metal makes swift manufacture by the millions possible in automatic machines. Free-cutting brass is selected from the many available types of brass, because it is best for this fabrication process.

A spark plug also has gaskets, three of them. The obvious material for a gasket that is subjected to heat is copper. But what copper? There are many coppers. Silver-bearing copper is chosen, because it resists annealing, or softening, at spark plug temperatures. This copper is not the cheapest, but the best for its job of maintaining the seal required to prevent blow-by and loss of power.

Take an automobile down, part by part, and you find from 37 to 73

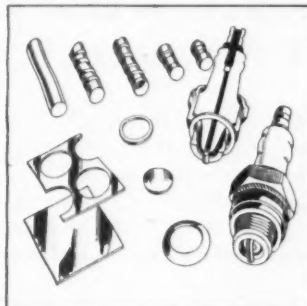
pounds of copper and copper alloys, each type chosen with the greatest care, no matter how small the individual part. Just as nothing seems to be too big for the automobile industry to accomplish, so nothing is too small for it to study. To be a supplier to that industry is indeed both an honor and a responsibility.

It does not seem that the future will produce a rival for the automobile industry in size, but more and more industries are rivaling it in their meticulous search for ways to make better goods, faster, and at lower prices. In that endeavor Revere collaborates closely with many of its customers. Any other supplier who is asked, is only too glad to place his accumulated knowledge at the disposal of buyers.

No company can stand alone; it must obtain the cooperation of many others, and utilize available experience in such diverse fields as design, material selection, fabrication, trade and public relations, merchandising and advertising.

In every industry there are capable sources of such help, and today more than ever it is essential to go to them.

I like to think that American industry is a collaborative as well as competitive whole, in which employers and employees, sellers and buyers work together, each factor contributing in its own way, and each profiting accordingly, as in the automobile industry.



Donald Dallas

Chairman of the Board

REVERE COPPER AND BRASS INCORPORATED

Founded by Paul Revere in 1801

Executive Offices:

230 Park Avenue, New York 17, N. Y.



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This improved type of construction *triples* the life of the pad by allowing it to wear *evenly* and by preventing shredding and bunching. *Welded construction* gets all the wear out of all the material! And this same feature that is responsible for longer wear also results in finer care. With uniform contact assured, the *Welded Pad* must and does do a finer job faster!

Thus the *Finnell Welded Pad* furthers the economy of steel-wooling—the simplest way to care for waxed floors in between periodic refinishing. In a single operation, steel-wooling dry cleans and polishes waxed floors to new brightness and to a safer, wear-resisting finish.

Finnell Welded Pads are self-adjusting, and can be used on any fibre brush, with any disc-type machine. Sizes: 5, 7, 11, 13, 15, 18, and 21-inch. Grades: No. 0—*Fine*, for cleaning, polishing, and burnishing. No. 1—*Average*, for cleaning and scrubbing. No. 2—*Coarse*, for use on rough floors. No. 3—*Very Coarse*, for removing paint and varnish.

For consultation or literature on *Finnell Pads, Waxes, and Floor-Maintenance Machines*, phone or write nearest *Finnell* branch or *Finnell System, Inc.*, 3805B East St., Elkhart, Ind. Canadian Office: Ottawa, Ont.

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Finnell Liquid Kote
Finnell Cream Kote
Finnell Paste Wax
Finnell Liquid Wax
Fino-Gloss Liquid Wax
Several Types

FINNELL SYSTEM, INC.

Pioneers and Specialists in
FLOOR-MAINTENANCE EQUIPMENT AND SUPPLIES

BRANCHES
IN ALL
PRINCIPAL
CITIES

those of other businesses. Wages, however, play a bigger-than-usual role in Bell's case. Hence the sharp uptrend in payrolls has had a terrific impact on the telephone business.

Bell payrolls by 1945 had risen 14% above 1940, while gross revenues climbed about 79%. As a result, direct wage costs absorbed 51.1% of cash revenue \$1 last year vs. only 37% in 1940.

In the three months ended last Feb. 28, payrolls accounted for 53% of gross revenues. Now there is speculation that the new awards resulting from the nationwide Bell strike upped that ratio to around 58%.

• **Financial Picture**—At the end of 1944 A.T.&T.'s capital structure on a consolidated basis consisted of: \$693,000,000 of subsidiary fixed debt; minor stockholding interests in subsidiaries \$113,500,000; its own \$1,062,000,000 of fixed interest obligations; and its 2,607,000 outstanding shares of \$100-per-share common stock.

Since then, A.T.&T. has issued another \$200 million of bonds. Bond conversions have probably increased the amount of issued stock moderately. Coming weeks should see the sale of another \$200 million of bonds. A Wall Street expects a third \$200-million bond offering before 1947 ends.

• **Interest Rate Prospects**—Thus far the company has been able to borrow at very favorable rates. However, the constant acquisition of new capital means that ever more payments must be made annually in interest and dividends.

It has been estimated that if all the new capital the company now wants to obtain is acquired one-third through the sale of bonds, one-third via convertible debentures, and the rest through stock sales, annual fixed charges and dividend requirements by 1950 might rise \$100 million above the current figure of \$338 million.

• **Paying the Bill**—Getting enough earnings to meet these requirements is not impossible. A.T.&T.'s management is experienced, smart. It is taking steps to bring operating costs into line.

Nor has the system overlooked the possibility of getting higher rates. Already some \$15 million in rate increases have been obtained in 11 states; and 15 others requests have been instituted. The System needs—and is trying for—increases approximating at least seven times the \$15-million figure.

• **Needed**—Also necessary to insure the \$9 dividend in the years ahead are: (1) a 20% or so increase in gross revenues by 1950; (2) reduction of the payroll ratio to 50% of gross revenues, or less; and (3) lower maintenance and depreciation rates.

Actually, no one really expects that the \$9 dividend rate will be slashed in the near future.

AVIATION WEEK is far more than a simple combination of *Aviation* and *Aviation News*. It is a new magazine from cover to cover, incorporating innumerable new features and departments. It is styled for easier, faster reading. You'll find it more comprehensive than any aviation magazine you now know. With high-speed presses and faster mailing equipment it will make possible the fastest production schedule ever attempted in aeronautical publishing—speeding the week's news through the mail within 24 hours after press closing.

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Greater news coverage than *Aviation News* through greater staff coverage of all developments, more pictures and an extremely fast production schedule will enable AVIATION WEEK to give even better and more up-to-the-minute news coverage than now delivered by *Aviation News*.

Such important new editorial features as . . . "Aviation Week"—a briefed perspective of the week's aviation picture of the week, designed especially for busy readers. "Aviation World News"—made possible through the world-wide news facilities of the

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LABOR

Unions' Role in Building Slump

Contractors charge that strikes, higher wages, low productivity—plus materials shortages and prices—have inflated construction costs, cut building volume. Michigan tries unique p

Labor uncertainties continued to retard construction this week, although one bottleneck was broken when the northeastern cement strike ended.

• **Basis of Settlement**—A.F.L.'s United cement, Lime & Gypsum Workers union called off a three-week strike—the union's first major walkout—with a 15¢ hourly raise. An estimated 10,000 strikers began returning to mills last week to prepare kilns for normal production.

The union yielded on two major demands. It agreed to forego time-and-a-half premium pay for packers and shippers required to work after 6 p.m.—regardless of whether they had worked before that hour. It also agreed to drop a demand that seniority alone govern promotions.

• **Lots of Headaches**—The end of the cement workers' strike promised early

relief for the spreading paralysis caused by an acute shortage of cement. Builders, however, the cement peace meant only the end of one headache. There were many more.

Nationally, a serious lag in volume of construction under way or planned was reflected in building indexes. Continuing unemployment in the building trades was reported in many scattered areas. An expected spring boom in construction had failed to materialize. Estimates of 1947 building were being put sharply.

• **Placing the Blame**—To builders, increasing gloom over prospects, blame rested principally on inflated construction costs (BW—Apr. 12 '47, p. 19).

Generally, contractors blame inflated costs on:

(1) The rise in prices of materials



ARRANGE LEGISLATIVE COMPROMISE

House and Senate labor-bill conferees had whipped into final shape this week a compromise on pet issues of the two chambers. Bearing a strong resemblance to the milder proposals that were originally accepted by the Senate, the finished product faces the question of a presidential veto (BW—May 24 '47, p. 82). Conference committee members were (left to right, seated): Sens. Murray (D., Mont.) and Ellender (D., La.), Rep. Hartley (R., N. J.), Sens. Taft (R., Ohio) and Ives (R., N. Y.); (standing) Sen. Ball (R., Minn.), Reps. Barden (D., N. C.), Lesinski (D., Mich.), Hoffman (R., Mich.), and Landis (R., Ind.)



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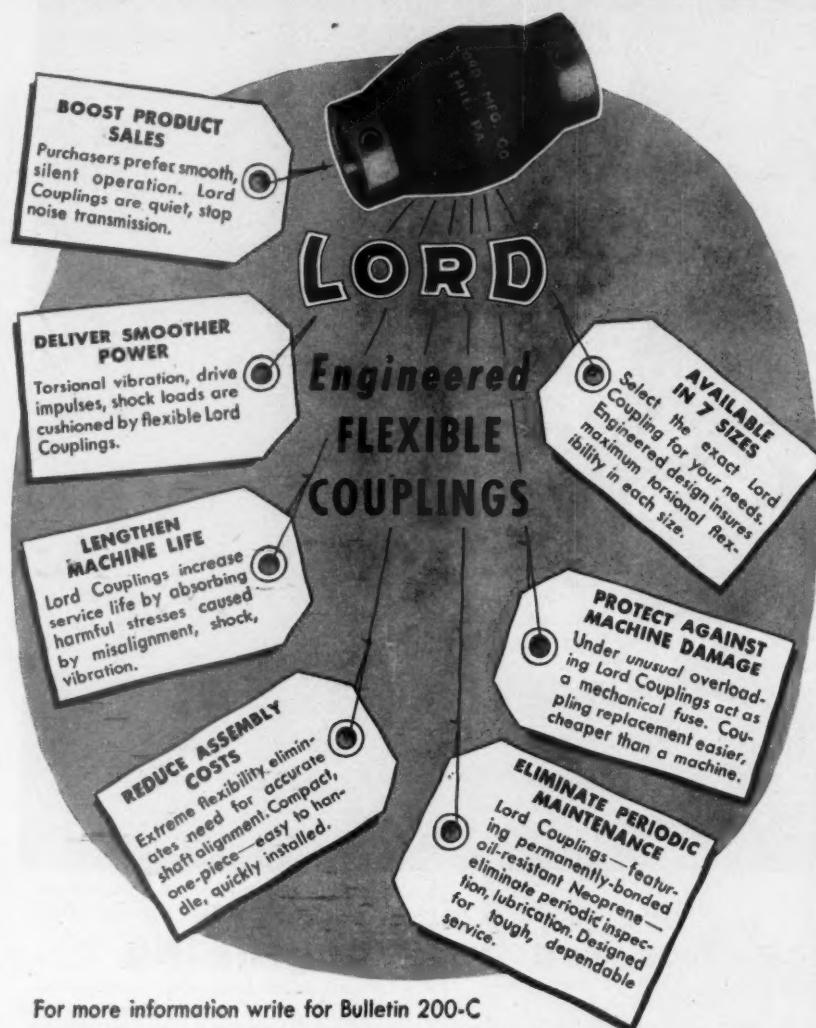
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up in many instances as much as 50% to 100% over prewar levels and 75% higher than in the 1926 building boom.

(2) Increased labor costs—both on-site and for materials suppliers;

(3) Decreased building efficiency and less productivity;

(4) Materials shortages and spotty deliveries; and

(5) Costly delays, many of them due to strikes.

• **New York's Experience**—In New York City, on-site labor costs recently were reported up nearly 100% over prewar levels. All of this was not represented by actual raises in hourly pay; builders said the higher cost included lost time due to materials shortages, and the need for more workers on the job.

New York builders' concern was heightened by demands recently made for revision, on June 30, of a master agreement between contractors and building unions. There was a preview of what negotiations probably would mean. Bricklayers demanded and got 25¢ an hour more under their contract, separate from the master agreement.

The New York contractors warned that labor was pricing its services at a figure which might spread building shutdowns—and idleness. A.F.L. Building Trades Council figures recently showed the number of unemployed New York City building craftsmen at 25,000—20% of the city's skilled construction workers.

• **The Same Story**—Increased wages were reported in Philadelphia (builders said the 20¢ hourly increase there would raise costs of average housing units \$30 to \$400) and in many other cities. Buffalo contractors signed with 17 unions representing 12,000 construction workers, for 15¢ an hour more. Pittsburgh raises averaged 25¢ an hour, and the Home Building Assn. estimated it would mean a \$400 boost in costs for the average small home.

The story was much the same in St. Louis, Indianapolis, Atlanta, Jacksonville, Denver, and Bridgeport. The increase generally averaged 20¢. In many instances, walkouts of from a few days to two weeks preceded settlements. A wage dispute—and a building trade strike called May 1—continued in Detroit. Commercial building in Kansas City was at a standstill in the seventh week of a crafts union stoppage. Unions refused arbitration unless material prices also are investigated.

Contractors said the higher labor costs would have to be reflected in higher costs to buyers. Building union leaders denied it. Wage increases from prewar levels total only 35%, as unions compute them. They argued that this by itself, would require only a "fractional" boost in prices.

• **Spilling It Out**—Builders expressed even greater concern over lost productivity than over increased wage rates.



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The National Assn. of Home Builders is advocating a legislative ban on the use of shop contracts, complained vigorously against restrictive practices.

It cited seven "cost-inflation" practices of building trades unions, listed them as: (1) restriction of workers' output; (2) make-work practices (BW-Jan.19'46,p86); (3) restriction on methods and materials; (4) jurisdictional restrictive practices; (5) stationary practices with respect to work hours and overtime pay; (6) restriction on competition, supported by unions; and (7) restrictions on labor supply through apprenticeship rules.

Contractor estimates placed work productivity at only 50% to 70% of war standards. Bricklayers in many cities were reported laying only 400 to 500 bricks daily, compared with an average of 800 before the war. Lathers were reported placing only 33 bundles a day per man, as compared with their former 55 bundles.

• **Union Rebuttal**—Such production arguments brought a sharp rejoinder from building tradesmen. No restrictions are in effect, spokesmen said. Productivity, where it exists, often can be traced to supplies shortages.

Shortages of skilled workers in building lines are being combated by the union in cooperation with the U. S. Dept. of Labor's Apprentice Training Service through greatly eased apprenticeship requirements. And jurisdictional problems are being fought through an A. F. of L. Building Trades Dept. program which envisions a referee system, fines, and court enforcement of decisions.

• **Spotty Effect**—Actually, some jurisdictional disputes have been ended through Building Trades Dept. intervention.

But others have been singularly unaffected by the jurisdictional peace program. Considerable building in New York is at a standstill as a result, primarily of a dispute between A. F. of L. carpenters and common laborers over who will carry lumber from the piles to the platform each board is needed.

• **Michigan's Answer**—The contractors, alarmed by a Commerce Dept. slash in 1947 predictions of total new construction from \$15 billion to less than \$10 billion and of residential building from 900,000 new units to 750,000 or less, have been burning midnight oil on the subject to cut corners, and costs. To date, they have found no ready solution.

Consequently, their attention turned to an unusual—and, they believe, unprecedented—development in Michigan. The state government entered a contract with unions last week with an offer to underwrite a part of the cost of a raise to workers erecting badly needed buildings for Wayne University.

The workers had struck for higher pay. Contractors informed state authorities that they could not settle the

since it would raise costs of building project by 5%. The committee of the Michigan Administrative Board—quasi-legislative body which functions on fiscal matters—agreed to underwrite approximately \$1,750,000 in additional costs, so that contractors got work back unrestricted immediately. Reasoning was that (4) building work would be more expensive to the state, in the long run, than the contemplated increase.

FOR THE BOSS

hundred A.F.L. unionists were on strike this week in Brokaw, Wis., following an unsuccessful strike over one of the highest demands of the season. The 400 to 500 men walked out to force reinstatement of a popular boss, Carl Magnus, president and general manager of the Paper Mill Co. since 1940. A few weeks ago the company board of directors voted not to renew Mag-



Magnus: strike-backed boss.

contract. Employees protested. They had won their backing by improvements to buildings and homes in company-owned town. They demanded that the board rescind its action. When company directors refused, the company's first strike in 47 years broke out. Magnus, still out, when the International Brotherhood of Paper Mill Workers (A.F.L.) intervened with an ultimatum to its Wausau local—either get back to work or face expulsion for a breach of contract which the international union couldn't countenance.

UNION NEWS

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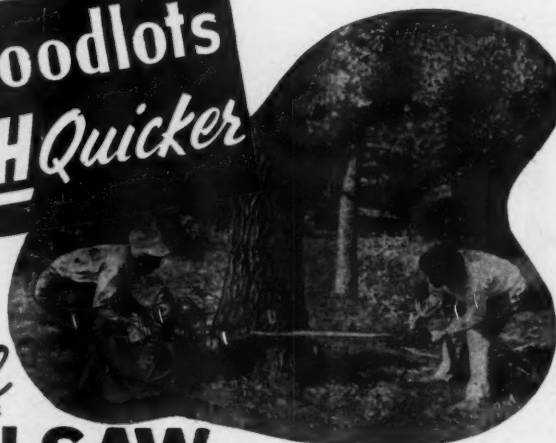
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at its house organ (BW—May's). As a result, something new has been added to The Aldenite—a page of news.

Alden employees are represented by Local 743 of A.F.L.'s teamsters, which the company has satisfactorily negotiated. It knows its people are loyal by everything the union does; hence logic in giving the union space in the paper "published by and for the employees."

The Aldenite presented its picture to its readers as "an effort to bring about a complete working understanding between labor and management." The page has a guest column by the steward, with his picture. It presents more columns from other union representatives. It also has a simple, understandable explanation of the terms of the company's 1947 labor agreement.

U.A.W. Pays Wages Of Suspended Workers

The United Auto Workers (U.A.W.) paid the consequences this week by ordering its members to quit work and attend a Detroit rally protesting new labor legislation in Congress.

Some 65,000 workers and bystanders attended the rally. Most major highways in Detroit closed early when workers began to troop off their shifts at 5:30 a.m. The U.A.W. announced that it would not return to work until the next day. Fifteen lead workers in its plants were discharged, 23 suspended for 30 to 60 days, and 450 others laid off for two days.

The auto union protested vehemently, took its case directly to the courts, and won a temporary injunction against General Motors top labor command. U.A.W. officials admitted that the walkouts may have been in violation of contract, but maintained that the penalties came about as a result of a novel situation.

A compromise action canceled the walkouts, substituted 75-day layoffs and reduced some of the other sanctions. In return, the union agreed to similar situations in the future would be subject to commensurate penalties. The agreement was agreed, however, that the terms of the layoffs would not be a precedent.

That much ground conceded, the union could do no less than pay suspended men for their idle time. They were following union orders when walking out.

• **Parallel**—Other companies make moves parallel to G.M.'s disciplinary action—a situation explained variously by union officials. Calmer ones justify it as a "General Motors is always a stickler for discipline than the others."

While Ford and Chrysler simply remained silent about the walkoff, the union it be known that Kaiser-Frazer had operated by allowing its workers time

Strike for Foremen

Strike at Ford may put the
of supervisors' unions in
balance. Ford unit is oldest
biggest independent group.

the future of the entire supervisor
movement may be hanging in the
balance. For in Detroit, picket lines of
Foreman's Assn. of America were
striking this week before the gates
of Ford Motor Co.

The strike in the original and largest
pocket of the independent union of
supervisors broke out after both sides re-
fused to budge from unreconciled view-
points.

"Artificial Barriers"—Ford feels that
the idea of a foremen's union has not
worked out. To avoid a walkout, it
has gone along on an unchanged
contract renewal. But first
F.A.A. had to agree to eliminate
"artificial barriers" in the way of promo-
tions and advancements. The company
was willing to chance a strike, even in
the current period of tremendous auto-
mobile demand, rather than move be-
hind that line.

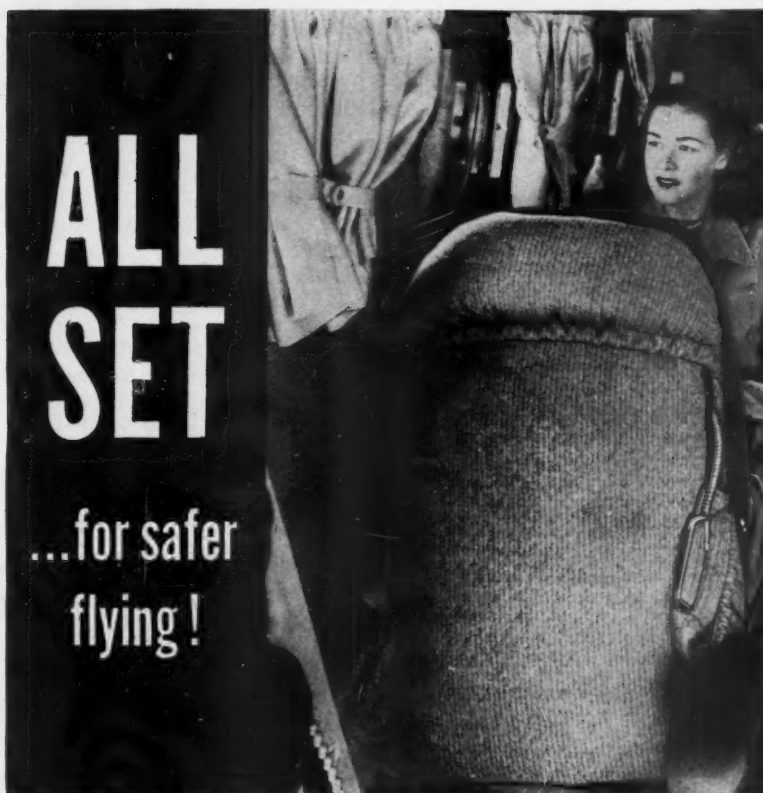
Ford flatly rejected the "artificial
barriers" concept of the company. Also,
it announced that it would press for the
union shop and checkoff securities
demanded by Ford's rank-and-file union—
U.A.W. C.I.O. United Auto Workers. But
the foremen's demand for reinstatement
of a member (who was discharged for
days during a recent walkout to a union
meeting) was the straw that pushed the
company to a severance of contract rela-
tions. (BW—May 17 '47, p. 82).

Common Ground—The strike be-
came quiet enough. A two-hour meet-
ing attended by top company and union
officials found no common ground. The
picketists went back into council—and
called a strike call for 10 o'clock the
next morning. Many foremen didn't
agree about it, so the Ford plants were
left empty of supervisors.

The next day, however, Ford felt
the effectiveness of F.A.A.'s control. The
picket line had not a single foreman
in it. At Highland Park, 22 of 231
supervisors were at work, all nonmembers
of F.A.A. At the giant Rouge works,
63 of 1,800 supervisors on the day
returned to work.

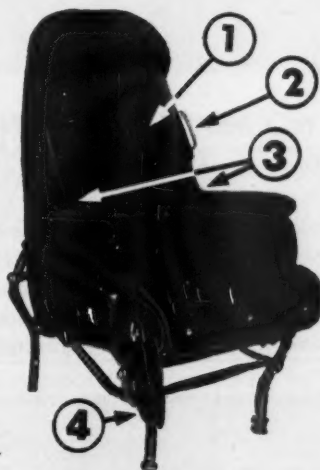
Material Flow—As expected, auto
material flow was disrupted. Discip-
tarian union members went through
picket lines to their benches. Thus,
just avoided any question of unemploy-
ment compensation benefits in the event
of plant shutdowns. But their flow of
materials was notably impaired by re-
fusal of A.F.L. Teamsters Union mem-
bers to cross the picket lines.

Through last week, operations at the



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Rouge were almost normal. Output volume of some 65,000 employees was right in line with schedules, guided by a handful of superintendents and foremen who are not members of the union.

• **Greatest Gamble**—The foremen took their greatest gamble in calling the walkout. It might prove to be the weight necessary to put a firmer labor bill on the statute books (page 68), one with barriers against supervisor labor organizations. But against that, F.A.A. had only two choices. It could stand still against a vigorous company challenge whose effect would probably have reduced the union's influence. Or it could go into a strike in which any success could be glamorized for the benefit of potential members.

F.A.A. was fighting on a second front

in Detroit. At Gar Wood Inc., a strike broke out the day after the Ford tie-up. It grew out of charges of a number of foremen, and the company's refusal to gain until formal orders to that had been issued by the National Relations Board.

P.S.

C.I.O.'s United Auto Workers (993-to-419) the eighth effort of unions to win collective bargaining rights at Thompson Products, Inc. (usual (BW-Oct.27'45,p110). It immediately announced it would go to the National Labor Relations Board against the pre-election tactics of the company at its Cleveland plant.



TWO MEANS TO AN END: PICKETS AND PARLEY

While members of the Foreman's Assn. of America picketed Ford Motor Co. plants in the Detroit area (above), union representatives negotiated (below) in a peaceful atmosphere with Packard Motor Co. The negotiators are (left to right): Russell Packard of the industrial relations office; Elmer Patzkowsky, head of labor relations; Floyd Byrd, plant manager; Mike Manino and Prosper Traen, of the Foreman's Packard negotiating committee; and Robert Turnbull, F.A.A. national director.



INTERNATIONAL OUTLOOK

BUSINESS WEEK

Y 31, 1947

SERVICE

The Geneva trade talks threaten to collapse.

Unless Under Secretary Clayton can return from Washington to Geneva with a strong new hand to play, creation of a permanent International Trade Organization may go by default.

Despite officially inspired reports of progress, Business Week's representatives in Geneva cable that the ITO conference has been bogged down from the start by the efforts of all of the 18 delegations to get something for nothing.

Other countries have waited for the U. S. to offer major tariff concessions before exposing their hands. Instead, the American delegation played cagey. It had to, while the U. S. Congress was asking even higher protection for American wool producers.

Now skeptical foreign governments say that the congressional move on wool raises the specter of Congress' booby-trapping other potential U. S. concessions.

A recent flood of amendments, coming from virtually every country, threatens to render the U. S.-sponsored ITO charter completely impotent.

Officially, charter discussions are running on schedule.

Actually, the conference is passing over all controversial points and handing them on, without agreement, to subcommittees.

While Clayton is in Washington, all delegations (including the American) are marking time, waiting for a new lease on life.

They know that what Clayton pulls out of his pocket on his return will either make or break ITO.

U. S. exports might not be affected importantly for some time by failure at Geneva. American goods are now reaching the world in unprecedented volume regardless of trade barriers. This will continue as long as shipments are largely financed by American credits.

But unless a pattern for two-way commerce is established soon, the structure of U. S. foreign trade will become more lopsided than it is today. Result could be a decline in our exports as drastic as that between 1929 and 1932, when exports fell from \$5.2 billion to \$1.6 billion.

What this would mean to the U. S. economy—and to individual industries—is evident from Commerce Dept. figures for March.

Total commodity exports for the month reached \$1,305,000,000. That's equivalent to an annual rate of over \$15.5 billion, five times the 1939 value.

March exports of automobiles, trucks, buses, and parts topped \$90 million. This is an annual rate of over \$1 billion, 2½ times that of 1946 and 4½ times that of 1939.

Exports of industrial machinery topped \$107 million, pointing to a total for 1947 of \$1.3 billion. Shipments of electrical machinery and apparatus hit \$49 million, or a rate of almost \$600 million a year.

Typical of the orders U. S. industry is getting are two contracts just

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
MAY 31, 1947

given to Pittsburgh companies for the modernization of the French steel industry.

United Engineering & Foundry Co. has a \$15-million order for rolling mills and auxiliary equipment. Westinghouse Electric International Corp. got a \$6-million contract for electrical steel-mill equipment.

U. S. exports to Latin America are hitting record figures. In March they reached \$351 million—double the 1946 rate and eight times that of 1939.

To Europe, they were \$484 million, more than $4\frac{1}{2}$ times 1939. But imports from Europe were only \$50 million (slightly less than 1939). This is one of the chief reasons for the gap of \$3 billion for the first three months of 1947 between U. S. exports of goods and services and U. S. imports.

Tardily, Washington experts have realized that Europe cannot be revived piecemeal. Aim now is to treat the continental economy as a unit—both in examining and in trying to meet its financial needs (BW—May 24 '47, p103).

What the Administration now fears is that a breakdown at Geneva would be blamed on the U. S. This would destroy confidence in America's ability to lead the world. It might turn Europe (on the long term at least) to Russia for help.

American industry, for its part, is neglecting the most promising market in the Far East.

Reports to Business Week from India reveal that, except for the U. S. automobile industry, most American businessmen are interested only in selling light consumer goods in the Indian market.

Indian industrialists, as well as state industrial directors, have received little cooperation in the U. S. when seeking capital goods and American know-how.

Offers of cash for equipment and generous royalties for licensing agreements have proved no inducement in bargaining with potential U. S. suppliers.

Indians attribute this attitude to American fears that they will copy U. S. ideas and flood the U. S. market with inferior goods produced by cheap labor.

In recent months, they have been surprised to find that British competitors are willing to take this risk.

As a result, big orders are being placed for British equipment and know-how, though Indian executives in many fields would prefer American.

Financial chaos in Nanking will lead to the postponement of the Yangtze Dam project.

The Chinese National government is about to cancel its contract with the U. S. Bureau of Reclamation for plans to cover construction of the dam (BW—Mar. 3 '45, p113).

The contract called for China to pay the bureau \$500,000 for its work. Of the \$250,000 already deposited by the Nanking government, only \$100,000 has been spent. The remainder is apparently needed to pay off Chinese engineers now working or studying in the U. S.

BUSINESS ABROAD

Rolling-Stock Exports Zoom

To help rebuild world's war-torn transport systems, U. S. shipments of locomotives and freight cars are far above prewar level. American carriers protest diversion of supplies.

The world's rail-transport system, crippled and dislocated by war, is being rebuilt in the plants and foundries of America.

Lease, UNRRA, and surplus combined to get the railroads of the world started again. But a big unmet task remains before railroading is brought back to its prewar efficiency. And that goes for the United States as well as for foreign nations everywhere.

The American locomotive-building industry is hard at work on this task. Order books are jammed with business—domestic and export. But at the same time, it is experiencing a violent elemental revolution: The domestic market is increasingly switching over to electric; steam locomotive builders consequently focusing their hope of salvation of this business on the export field.

War's Impact—The wreckage of Europe's rail system is epitomized in early relations of the European Central and Transport Organization, a 13-nation agency set up to study transport reconstruction.

In mid-1945, ECITO figured that Europe had only 77% of its prewar

locomotives and 60% of its rolling stock. But only 25% of the motive power and 45% of the cars were in usable condition. A third of the cars were foreign.

With 73% of its locomotives, France had only 45% in service, one-sixth of them foreign. It had about half its rolling stock, but only 25% in service. Netherlands railroads were operating about 25% of the prewar equipment, with another 25% in need of repair. Roughly 85% of the cars were foreign. The Greek railroads had lost 90% of their locomotives.

The job of reshuffling borrowed and stolen rolling stock, repairing broken-down units, and renewing equipment is far from ended. By last month, the U. S. Zone in Germany had returned 565 locomotives, 840 passenger cars, and 33,371 freight cars to various other countries. It had received a handful of locomotives, 68 passenger cars, and 7,734 German freight cars in return for those sent back.

• UNRRA and Surplus—UNRRA, drawing upon U. S. and British suppliers, has supplied the world with 670 locomotives worth \$41,430,000 and with 11,374 cars worth \$21,541,000.

These shipments were distributed as follows:

	Locomotives	Cars
Czechoslovakia	75	2,333
Poland	105	4,257
China	242	3,467
Greece	17	512
Yugoslavia	231	805

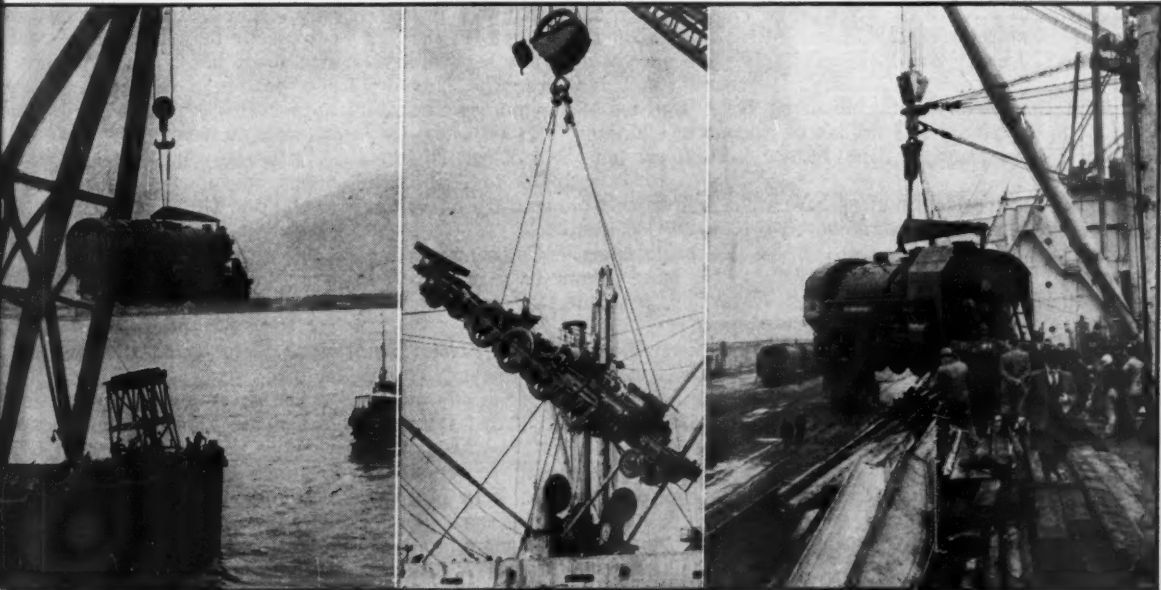
The Office of the Foreign Liquidation Commissioner has transferred 1,377 large locomotives to European countries: Greece, 42; French Algeria, 25; Czechoslovakia, 20; Austria, 30; Poland, 500; Turkey, 50; Hungary, 510. In addition, OFLC distributed 202 switch engines and 11,136 boxcars (to Holland, France, Greece, and Poland), and sold between 15,000 and 16,000 cars on the open market overseas. Distribution of OFLC rail equipment was on recommendations of ECITO.

• Export Bonanza—Before the war, only a handful of United States locomotives was exported annually, and the average export of freight cars was less than 2,000, including cars of less than 10-ton capacity.

Monthly exports of locomotives are now equal to prewar annual totals. And in March, the number of freight cars exported each week equaled annual prewar exports.

• Statistics—Specifically, the U. S. exported 1,577 locomotives (44 of them electric) in 1946. The value of these shipments was \$156 million. More than 22,000 railway cars, valued at \$42 million, were shipped abroad. These shipments included 16,054 heavy freight cars and 6,562 cars of less than 10-ton capacity.

In the first quarter of 1947, some 365 locomotives (87 electric) valued at \$22 million were exported. More than



Destination: China, Siam, and France—and a revitalized world railway transport system.



BRITISH TRAVELING TRADE FAIR

Overlooking no bets in the fight to reestablish its all-important export trade, Britain tries a "showboat" to display industrial wares. Carrying 36 exhibits of such products as cement mixers, motor vehicles, agricultural machinery, glassware, the *S. S. St. Merriel* is touring major South American cities. Object: to persuade Latin Americans to "buy British." U. S. manufacturers, however, aren't worrying. First-quarter reports for 1947 indicate a record for U. S.-Latin American trade, with U. S. exports averaging \$310 million monthly to 20 countries below the border.

18,000 railway cars valued at over \$40-million were shipped. Of these, 14,209 were heavy freight cars.

• **France Best Customer**—Biggest single factor in the railway-equipment export picture is France. Last year that country took from the U. S. 841 steam locomotives, 4,820 heavy freight cars, and 954 small freight cars. In the first quarter of 1947, France received 126 locomotives, 13,320 heavy and 1,815 small freight cars.

An Argentine State Railway mission to the U. S. has placed \$25 million of orders for 75 steam and 90 diesel electric locomotives.

American locomotive builders have their order-books jammed with domestic and overseas business.

American Locomotive Co. had its biggest peacetime year in 1946 with shipments of \$115 million. Last year 75% of Alco's business was for steam locomotives, 25% diesel-electric. The major part of the steam business was for export.

This year, with \$60 million now on the order books, 75% of production will be diesel-electric, all for domestic customers, and 25% steam, nearly all for export. Seventy locomotives will go abroad—40 to Poland, and 30 to South America. Roughly 90% of Alco's new orders are for diesel-electric equipment.

General Electric produces the electrical equipment that is required for Alco diesel-electrics.

Lima Locomotive Works, Inc., until 1942, had exported only 10 engines—to the Kin Han Ry. in China in 1918. Since 1942, Lima has built \$45 million worth of steam locomotives for export. The War Dept. ordered 694 locomotives, of which 180 went to France. In 1945, France paid for another 100 locomotives, and last year the Treasury Dept. procured 45 locomotives for shipment to China.

This year Lima will deliver 20 locomotives to Poland, 15 to Argentina. Pending orders from abroad are for from 40 to 90 locomotives.

Fairbanks, Morse & Co., concentrating on the hungry domestic market (BW—May 17 '47, p. 59), has sold no locomotives abroad.

General Motors Corp.'s Electro-Motive Division, apart from some wartime business, has sold only 14 small units to Mexico for about \$2 million. Domestic business is so good that standard equipment is on a 14-month delivery basis. The company aims to keep plugging the home market because mass production of standard units is more profitable than tailoring small orders for overseas. But with a weather eye on the future of diesel-electrics, the company is quietly

studying the long-range prospects for foreign sales.

General Electric Co., since the war has shipped 29 electric locomotives ranging from 60 to 165 metric tons and 16 diesel-electrics from 25 to 165 metric tons, all to Latin America. GE has 51 electric locomotives of from 60 to 210 metric tons under construction, 31 for Latin America and 20 for Europe. In addition, 58 diesel-electrics of from 40 to 65 metric tons are being built for Latin America.

Westinghouse Electric Corp. has an export backlog of 19 electric locomotives. With related substation equipment, these represent \$9 million worth of business. Westinghouse builds diesel-electric equipment for other locomotive builders, makes only all-electric units for itself. Diesel-electric parts business abroad came to \$5 million last year and will be larger this year. Orders on hand include six 165-metric ton units for Central Ry. of Brazil; eleven 130-metric ton units for the Sorocabana Ry. in Brazil; and two 210-ton locomotives for the Chilean State Ry.

Baldwin Locomotive Works, which is declining to provide details on its export business, is believed to have shipped more than 400 locomotives overseas since the end of the war, most of them steam. On May 1, the company reported a \$100-million backlog of orders with 500 diesels on order or being built.

Last fall Baldwin announced a contract for eight locomotives for Brazil and India is reported to have bought 16 locomotives for \$1,500,000. A Baldwin subsidiary, Whitcomb Locomotive Co., has an Argentine order for locomotives valued at \$22 million. Baldwin is believed to have an order for another 30.

• **Headache**—Although competition for equipment between domestic and foreign roads has boomed business, it also is proving a headache to manufacturers. This is particularly true of long-stock builders.

Deliveries on long-standing export orders are now at an unprecedented level. But U. S. railroads are so desperately in need of replacements (BW—Feb. 8 '47, p. 19) that every car export wrings wails of protest from domestic carriers. Car-builders would like to get they ever heard about exports—alone discuss details of firm orders for export abroad.

The government—through the Office of Defense Transportation—has brought vigorous pressure to bear on car manufacturers to restrict new foreign business until the needs of the United States have been met. And although U. S. railroads admit the serious plight of Europe, they argue the need for efficient roads at home before Europe is reborn 100%.



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Soviet Industry Continues Shift to East

The Soviet Union's current five-year plan is destined to continue the eastward shift of industry. Just how productive capacity outside European Russia will be expanded by 1950, at the end of the Fourth Five-Year Plan, has been revealed for several key industries.

The following comparative table shows the percentage share of eastern industrial areas in total Soviet output:

	1937	1940	1950
Iron ore	—	29%	44%
Steel	—	34	51
Coal	33.3%	36	47.5
Oil	8	12	36

In real terms, this will mean that the eastern areas of the U.S.S.R. are scheduled to produce 13 million metric tons of steel, 120 million metric tons of coal, and about 12,750,000 metric tons of petroleum by 1950.

• **Vulnerable Centers Shifted**—Soviet industrial decentralization schemes were embodied in earlier five-year plans when it appeared certain that a European war was pending and would involve vulnerable Soviet industrial centers around Leningrad, the Ukraine, and the Donets Basin. The war itself drastically speeded the move.

Just before the war, the Donets area produced 60% of Soviet coal. The Ukraine and the Crimea produced 64% of the iron ore and nearly 50% of the steel. About 95% of Russia's sugar and textiles was produced in the area invaded by Germany.

• **Eastern Boom**—Removal of plants and equipment ahead of the advancing Wehrmacht, and the speedy creation of new facilities to replace those abandoned or destroyed, boomed industrial production in the east. The Kazakh S.S.R. vastly expanded its cotton and beet-sugar production. Steel mills sprang up in the Urals, fed by iron and coal from soaring output of the Kuznets Basin and the Karaganda fields.

These advances are to be consolidated in the next few years by expanding related production facilities, raising further the share of eastern production in total Soviet output.

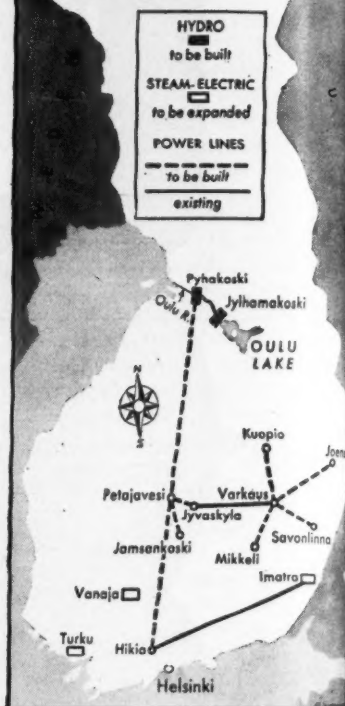
NEW SHIP LINE LAUNCHED

The Maritime Commission is expected shortly to approve the application of a new steamship line to operate between the Gulf and ports on the west coast of South America.

The new corporation, Gulf & South American Steamship Co., has been formed with capital of \$5 million by the Grace Line and the Lykes Bros. Steamship Co.

The Grace Line operated out of Gulf

NEW POWER FOR FINLAND



Expansion plans of Imatra Power, Finland's main electric supplier, for doubling capacity to 255,000 by 1950. At two points on the Oulu River in central Finland, hydro plants will be built. At Pyhäkoski, 108 kw. capacity is to be installed. The turbines will be built by the Finnish firm of Tampella. One generator is being produced in Sweden (by ASEA for 1948 delivery, and two in Britain (by Metropolitan Vickers) for delivery in 1948 and 1949. At Jylhäkoski two Finn turbines and two Swedish generators will be installed, providing capacity of 45,000 kw. A dam to control the water level of Lake Oulu is planned. A 295-mi. power line will connect the river development at Petajavesi and Hikiä in southern Finland. Branch lines will extend to existing network. Some 2,200 tons of steel-aluminum cable have been ordered in Canada. Belgium will supply 5,500 tons of iron to Finnish manufacturing power line pylons.

ports until the early thirties through wholly owned company, the New Zealand South America Steamship Co. Grace returned to this field in 1949.

for the War Shipping Administration and was later joined by Lykes Bros. during the duration of the war.

It is believed that both companies will operate separately for subsidy from the War Shipping Commission and were turned over to Lykes Bros. presumably because the commission decided there wasn't enough business for two lines. Now a subsidy has been requested for the joint company. Joseph T. Lykes, president of Lykes Bros., and R. R. Adams, president of the new company, are close personal friends. They met together a month ago and decided to join together. In the new firm, they will have the chairman of the board and president, respectively.

Lykes & South American will have headquarters in New Orleans and operate four C2 freighters in a fortnightly schedule. Lykes Bros. will act as agent for the company in the Gulf, its home territory, and Grace will handle the South American end.

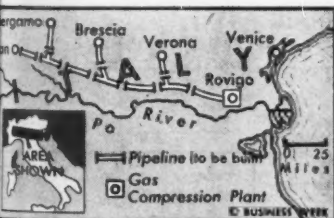
PIPELINE FOR ITALY

A \$10-million natural gas pipeline project for northern Italy has been completed with American engineering assistance.

The Po Valley pipeline will be financed by a privately owned Italian company with complete approval of the Italian government. All materials and services not available in Italy will be purchased in the United States, probably with Export-Import Bank assistance.

The engineer on the project is J. D. Kellogg of Chicago. He will draw plans, procure needed materials in the U. S., and supervise construction and initial operation.

The first step will be laying a line through the gas fields in the Po delta near Padua to Milan. A branch line will run to Bergamo. Other branches, to be built later, will tie in with Verona and Brescia. Eventually the line may run to Venice in the North, to Florence in the South.



Through use of natural gas in this project, it is expected that the equivalent of 100,000 tons of coal can be saved annually. This will reduce Italy's imports by \$10 million a year at present prices. There is believed to be enough gas to supply 35 million cu. ft. daily for more than 25 years. The project may be in operation 18 months after construction begins.

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CHARLES C. MOSKOWITZ,
Vice President & Treasurer

FACT

3 of every 5 subscribers invest in stocks or bonds...

THE MARKETS (FINANCE SECTION—PAGE 2)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	137.9	134.9	139.9	184.2
Railroad	37.9	37.0	40.3	66.7
Utility	70.7	69.9	73.6	97.3
Bonds				
Industrial	123.2	123.1	123.5	124.1
Railroad	106.2	106.7	112.5	118.6
Utility	112.8	111.5	112.7	116.5

Data: Standard & Poor's Corp.

Bear Market Anniversary

Just a year ago this week, the big 1942-46 bull market, one of the "greats" in Wall Street's record-book, finally reached the end of its trail. Ever since then, most shares have been backing down—sometimes slowly, often by leaps and bounds. Rallies have occurred to slow up the decline. But thus far they have been weak, and few and far between.

• **Effect on the Averages**—What has been the extent of the damage to date of the 12-month downtrend? Plenty, if you use as yardsticks the Dow-Jones stock prime indexes, favorite market barometers of Wall Street's professional traders.

Before the 1942-46 price upsurge played out its string, here's what happened marketwise: a 129% rise in the industrial section of the stock list, a 193% jump upward by the rails, and a 219% increase in market value for the utility shares.

Since last May the industrial stocks

have lost 40% of those gains, rails have erased some 58% of 1942-46 advance, the utility group and the stock market as a whole 40%.

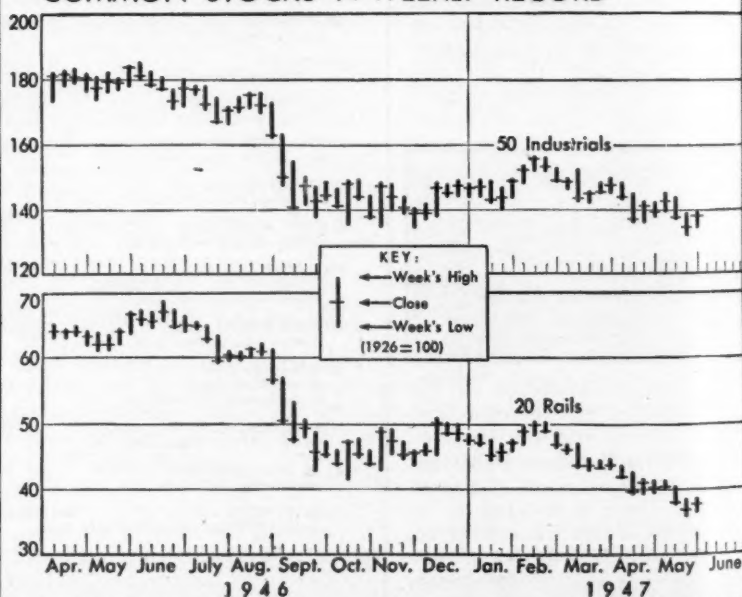
• **Leading Issues**—Where individual leading stocks are concerned the picture is even less pretty.

Among the common stocks for which give up 40% to 45% of their 1942-46 rise, for example, have been the American Telephone & Telegraph (58%), Union Pacific, du Pont, and Carbide. Between 46% and 50% of bull-market gain has been lost by National Steel and Chrysler; 51% by Atchison, General Motors, and Stores; and 56% to 60% by Southern Pacific and Bethlehem Steel. U. S. common has lost 62% of such gains. Southern Ry. 70%, Gimbel Bros. American Car & Foundry 67%, and H. Macy 72%.

• **Major Slump?**—Principal reason generally assigned for the year-long decline is that the market has been discounting a big downswing in general business activity. But no major slump is apparent thus far. In fact, the bear market started in 1946 seems slated to go on in history as the longest anticipatory movement on record (BW—April 16).

Nevertheless, there have been signs of developing cracks and cracks in the general business structure. In many in the soft goods trade, for example, the postwar honeymoon has ended. Employment also shows

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

© BUSINESS

...ine, as do manufacturers' new
...and shipments; the building
...has proved to be a disappoint-
...and the rise in inventories, esti-
...by some to have accounted for
...as 10% of production lately,
...ended.
...er Lining—There has been some
...news lately. The rails operating
...the Mississippi, for example, have
...permitted to raise their passenger
...10%. Corporate dividends con-
...to increase, showing that many

managements are not worried by the
outlook in their fields. Most encourag-
ing news was the refusal of the market
in the mid-May flurry of selling to
penetrate last fall's bear-market lows
decisively.
Nevertheless, the closing days of May
disclosed no real evidence that the mar-
ket was at a turning point. And June
opens with most market participants
continuing in a very cautious mood, and
watching events on the business front
mightily closely.

The Rails—No. 1 Market Paradox of 1947.

In the first quarter of this year,
...I rail revenues ran 10% above
...46 levels. Net earnings jumped to
...7 million from \$19 million. Based
...a normal seasonal performance
...would indicate a full 1947 gross
...\$8.5 billion, and profits of over
...0 million vs. 1946's \$287 million
...t. That would be the best peace-
...ne year since 1930.
...Market Doubts It—There has been
...reflection of this outlook in the
...ack market, however. By late May,
...e Dow-Jones rail stock index had
...bled almost 40% under its 1946
...ll market high. It was back to its
...west level since late 1944. In the
...cess it had erased some 56% of
...its 1942-46 bull market gains.
...Why this divergence of trends?
...hat's easily explained. What the
...market has been doing is discounting
...important factors in the situa-
...on.

• What Worries Wall Street—The
first factor is the rigidity of the in-
dustry's postwar operating costs and
its current high break-even point.
This would have a magnified effect
on profits if a subsequent drop in gen-
eral business should touch off any
sharp downtrend in freight revenues.
The market's second worry is the
demand for new wage boosts the rails
now face. A 15¢-an-hour hike would
cost the industry some \$320 million
annually after taxes. And granting
even a portion of the working-rule
changes demanded by the unions
would prove just as costly.
Second-quarter results may prove
as encouraging as those for the Janu-
ary-March period. From there on,
however, the picture is apt to change
sharply. At least, that's what the re-
cent market action of the rail shares
would appear to indicate. The first-
quarter figures (000 omitted):

	Gross Revenues		Net Income		Earnings per Common Share	
	1947	1946	1947	1946	1947	1946
At. Topeka & Santa Fe.....	\$80,862	\$68,520	\$9,840	\$11,898	\$3.41	\$4.26
Atlantic Coast Line.....	25,921	22,877	3,253	433	3.95	0.52
Baltimore & Ohio.....	73,243	59,161	1,867	D7,503	0.50	D3.16
Boston & Maine.....	20,444	19,217	C595	CD256
Bresapeake & Ohio.....	56,356	44,357	10,342	8,308	1.35	1.08
Chicago, Bur. & Quincy.....	44,319	39,273	8,958	8,478	5.24	4.96
Chicago Great Western.....	6,442	5,610	208	D910	A	A
Chicago, Milw., St. Paul & Pac.....	43,912	36,298	2,327	1,267	0.44	D0.06
Chicago & North Western.....	29,598	24,884	D1,193	D1,937	D2.86	D3.77
Delaware & Hudson.....	12,067	10,269	1,077	244	2.09	0.47
Ill. Central.....	31,916	25,088	637	D1,700	0.05	D0.90
Met. Northern.....	32,561	23,939	D916	D1,478	BD0.30	BD0.48
Mo. Mobile & Ohio.....	9,373	8,093	662	D25	0.52	D0.65
St. Louis Central.....	47,592	39,282	4,528	1,318	3.13	0.76
High Valley.....	15,550	12,860	302	D20	0.25	D0.02
Memphis & Nashville.....	40,781	34,075	4,360	3,817	1.86	1.63
Missouri-Kansas-Texas.....	15,307	14,838	419	632	D0.92	D0.66
New York Central.....	119,799	96,995	D3,010	D6,235	D0.47	D0.97
New York, Chicago & St. Louis.....	21,919	15,805	2,262	229	5.10	D0.92
Norfolk & Western.....	37,928	30,890	8,810	7,542	6.11	5.21
Northern Pacific.....	28,886	22,507	1,641	D650	0.66	D6.26
Pennsylvania R.R.....	211,151	198,094	D9,190	D3,833	D0.70	D0.29
Pine Marquette.....	14,163	9,993	706	D327	0.91	D1.38
Reading Co.....	24,883	21,132	2,118	579	1.01	D0.09
Southern Pacific.....	125,792	119,185	8,990	3,308	2.38	0.88
Southern Railway.....	47,326	39,883	2,911	2,841	1.66	1.61
Texas & Pacific.....	11,040	8,632	1,191	1,305	2.31	2.60
Union Pacific.....	75,853	59,844	10,917	5,430	4.46	1.99
Wabash.....	22,942	19,040	2,422	980	3.46	1.05
Western Pacific.....	8,006	7,579	170	717	A	A

A—Not available. B—Earnings on preferred stock. C—Before contingent charges.
D—Deficit.



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THE TREND

DOING THE COMMUNISTS' WORK FOR THEM

If we were given the job of promotion manager for the Communist Party in the U. S. A., we doubt if we could possibly dream up a neater piece of business for our side than that portrayed in the center of this page. This particular exhibit was taken from the Detroit Free Press, one of the most staunchly conservative newspapers in the United States. But the same picture was run with much the same caption and text by daily newspapers through the country.

On the very days when the picture, thanks to wire-photo, was being featured in picture sections from coast to coast, the front pages of the same newspapers were reporting the desperate hunger in Europe and the hurried emergency steps to stave it off. The nation's newspaper readers were thus left with the clear and dramatically underlined impression that, while Europe cries out with hunger, we destroy fine foodstuffs in order to keep up the price. Certainly it would be hard to conjure up a more damning portrayal of hopeless confusion and frustration in our own house.

Well, what of it? Wasn't it the duty of the press of our free land to tell the plain and unadulterated truth, however unpleasant? It is, indeed, the business of the press to tell the complete truth, but in this particular case one key and easily understood fact, which puts an entirely different complexion on the exhibit, was left out. And other facts which reveal the incident portrayed in a much softer light also were ignored by the blunt report that "A glutted market brings more than 50 tons of surplus potatoes to be dumped by the government . . . kerosene was poured over the potatoes to render them useless."

The key fact which was completely ignored is that potatoes could not be shipped to Europe. This fact first came to light last January, when the potato surplus began to attract attention. UNRRA officials, noting the availability of 20 million bushels of potatoes, said that a thorough study had convinced them of the impracticability of shipping them to needy countries. Potatoes must be shipped in refrigerated vessels or dehydrated. Refrigerator

space, even if available, could be better used for nutritional foods, UNRRA reported. The cost of preparing and shipping dehydrated potatoes would be five times what it would be to send other foods of equal caloric value.

Another neglected fact is that the government potato surplus is a hangover of a wartime program which commanded almost universal congressional support when enacted. In 1942, in order to stimulate production of crops urgently needed for the war effort, the principle of government support of agricultural prices during a period of postwar readjustment was written into the stabilization act. Under this act, which remains in force until two years after the end of hostilities (until Dec. 31, 1948), the government is committed to buy farmers' produce if the market price falls below 90% of parity.

As we have remarked before in this space, we think the farm price support program now has both the public and the large and the farmers themselves. It encourages excess production of the wrong things, and retards the adjustment of farm production to the facts of economic life. In our view, the program should be dropped at the first moment it can be done without having the government break its pledge. Be even so, this wartime measure is not the

Glutted Market Brings Surplus Potatoes to Unuseful End



A GLUTTED MARKET brings more than 50 tons of surplus potatoes to be dumped by the Government near Foley, Ala. They were grown in Idaho.

via Credit: Two production and marketing administration checkers stand atop the pile. Kerosene was poured over potatoes to render them useless.

utterly inane and antisocial program so starkly implied by the exhibit in question.

Our inquiries indicate that this potato picture (and what it does not tell) has had a wide and deep effect. Indeed, while there is no way to measure it, we doubt the combined efforts of all the editorial page defenders and expounders of the American way of economic life in the next six months will offset the devastating impact of the misrepresentation carried by that single picture, particularly in its vivid and immediate association with starvation in Europe.

We expect the Communists and their cohorts to misrepresent the workings of our economic system. But when the press of the country, in its most conservative reaches, does the Communists' stuff for them with tremendous effectiveness, we call that unfair competition.

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